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# ***Daily Report***

## ***Supplement***

# **East Europe**

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# East Europe SUPPLEMENT

JPRS-EER-93-067-S

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13 July 1993

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**\* Politics of Abolishing Military-Industry Office**

93CH0690B Budapest MAGYAR NARANCS in  
Hungarian 27 May 93 pp 4-5

[Interview with National Assembly Representatives Andras Nagy of the Alliance of Free Democrats and Lajos Mile of the Hungarian Democratic Forum by -seres- -sj-; place and date not given: "The Rise and Fall of the Hungarian Star Wars; The Hawks Are Silent"]

[Text] *Jeno Laszlo's Military Industry Office is a thing of the past. Although Jeno Laszlo has had a vision to make Hungary's military industry great again, the government has abolished the office.*

*The idea was as follows: During the first phase, the State Property Management, Inc. would hand over 10 essential military industry production and research plants to the Military Industry Office. With the help of investors in the field the office would privatize the firms, which could signal the start of the revival of Hungary's military industry. The process would last five to eight years, and before it were over, star wars would provide work for 20,000-25,000 people. By that time, the military industry already in place could supply as much as 60 percent of the defense forces' needs.*

This, one must admit, was an interesting idea as laid out. The head of one of the firms involved has recently complained to NARANCS that production was in trouble: They can only have as much work as they have orders. And the Defense Forces are not ordering. This means that the Military Industry Office must have counted on money becoming available again for the army in four to five years for new orders and development projects. The problem, however, is that the defense forces will not be able to procure new equipment, even of Hungarian origin, at this year's budget level of 66.5 billion forints. True, the budget will expand, but that means that we would have to start increasing exports like mad in order to come up with an aggregate production value of 200-250 million dollars. Export, but where? According to the office, to the former socialist countries, and once cooperative production starts gaining ground, into Western Europe. The western market has its own problems, while Eastern Europe can get its needed products from Russia, which are becoming cheaper and cheaper.

The government has abolished the Military Industry Office. The reason, more than likely, is that they feel that the plan has little chance to become reality. We wanted to talk with Jeno Laszlo, and we found him, but his message was that he did not think that it was appropriate for him to comment at this time. OK, so he will give up his interview to the historians. The hawks are silent, while those who had expressed reservations from the start about the plans put forth by the Military Industry Office, including Andras Nagy (SZDSZ) [Alliance of Free Democrats] and Lajos Mile (MDF) [Hungarian Democratic Forum], have begun to speak up.

**A Csurkaite Economic Complex?**

[MAGYAR NARANCS] If the head of a firm has a faulty concept or has made a mistake, he is usually dismissed. In this case they abolished his whole enterprise altogether. Why was this necessary?

[Nagy] Just as with Csurka whose vice presidential post was abolished, in the case of Jeno Laszlo, a founding member of the MDF and enthusiastic supporter of the Hungarian Way Circles, they were also afraid to fire the person, so they chose to abolish his office instead. The Military Industry Office, which in a different form and with a different set of tasks would otherwise be very much needed, has made a lot of mistakes.

[MAGYAR NARANCS] What specific mistakes could you cite for us? Are you talking about the holding-company concept made up of 10 firms?

[Nagy] No. This in itself would still be manageable to carry through. The problems have more to do with people and styles. Without authorization or the authority to make arrangements, Jeno Laszlo and his associates have engaged in negotiations in the course of which they have given foreign partners the impression that Hungary had the money, and more importantly the concept to back up what it intended to do. This obviously could not be realized, but it is easy to recognize how much damage it has caused the country. Secondly, when the Military Industry Office was established 16 months ago it was given a hazy and difficult to grasp status. At the same time the ministries of industry, defense and foreign economics continued to negotiate separately. There have been some absurd cases where three different government agencies were negotiating at the same time with one firm. Because of these overlapping functions the government was correct in abolishing the office.

[MAGYAR NARANCS] You have mentioned that there was neither money, nor a viable concept. The bankruptcy is already a fact, which means that obviously even a concept which differs from that of Jeno Laszlo could not generate profit.

[Nagy] This precisely is the basic question, what can be done? Adding up a series of losses does not amount to a profit. We have to look, first of all, at whether or not there is a military industry to speak of in Hungary.

[MAGYAR NARANCS] Is there one, in your opinion?

[Nagy] Partly, yes. What we have in Hungary, rather, is military industrial activity. The concept of industry assumes a series of complex interconnected activities. Since 1945, there has been no such thing in Hungary. There are firms turning out certain products that have military industry applications. Included among these are the Pest Region Machine Factory and the armor repair complex at Godollo. So what we have mainly are repair and parts manufacturing; small arms and explosives are not even worth talking about. The industry has not yet been put under a microscope. Still there is an overabundance of studies and facts pertaining to the 16 enterprises engaged in military industry production. One of the things looked at



has been whether or not there are sufficient human resources, experts available in reserve in case of a war to crank up production quickly. The findings were astounding: According to the survey, more than 80 percent of the industry's machine capacity is antiquated and 60 percent of the industry is without manpower support. Looking at it from this point of view, there is no Hungarian military industry.

[MAGYAR NARANCS] You have talked about Jeno Laszlo's political background. Does this mean that, because of foreign policy considerations, for example, the government simply refused to yield ground to a Csurkaite politician?

[Nagy] The government has taken a very ambivalent approach to the issue as it wants both to stand by Csurka and also to distance itself from him. It does not really wish to part with his philosophy, as it would risk losing a large segment of its base support. It is a separate and interesting question altogether whether or not putting the military-industrial complex in the hands—and possession—of a person of Csurka's philosophy alleging to represent real Hungarian interests creates an economic foundation for extremists to assert themselves. So the decision may also stem from the "center's" fear of creating such an economic base, rather than from a concern that this would provide Csurka's followers access to weapons. We need to understand that we are talking about billions of forints here, even if most of the firms involved are deficit-producing. Those firms that produce items of everyday use for the Hungarian Defense Forces will be saved by the budget. What we have here is an effort to get something going again, not to make it conform to the requirements of the market which may not be liberal but necessary. The important thing for us is to identify those military firms which we really need.

[MAGYAR NARANCS] Which firms do you have in mind specifically?

[Nagy] The Mechanical Laboratory, which produces electronic products that are considered state-of-the-art even by European standards. The other one is the Pest Region Machine Factory, which while legally still under liquidation has just been reorganized. Its three main creditors, the APEH [Office of Taxation and Fiscal Control], the social insurance system and a bank have agreed to convert their claims. Perhaps I would also add the Metallurgy Works of the Matra Region, which excels in ammunition production. This entire matter, incidentally, has been referred for consideration to deputy state secretary Istvan Kocsis. Some are concerned that the disbanding of the office may have been a bit hasty as I see no new concept ready to take its place.

#### Dreams and Illusions

[MAGYAR NARANCS] You were also among those who disagreed with the concept promoted by Jeno Laszlo, the head of the Military Industry Office. What were the main points which were unacceptable to you or your parliamentary group?

[Mile] This is not the position of a parliamentary group. I simply did not think that the military industry development concept discussed at several forums by Jeno Laszlo was a realistic one. The plan, in my opinion, lacks the background support necessary for implementing such a concept from the point of view of available capacity, product structure as well as demand. Actually the two things which these plans had the least to do with were the military and industry. The Military Industry Office itself was never an organic part of the plans of either ministry, as it had taken on a life of its own. There was never any coordination with the industrial and defense sectors that would have been key even to defining such a concept. So this notion appears to be more of an individualistic illusion or dream.

[MAGYAR NARANCS] Are you saying that in the past year and a half Jeno Laszlo has managed to lead the Military Industry Office so far off course that instead of simply removing Jeno Laszlo, they actually had to abolish the office?

[Mile] Yes, that was pretty much what happened. Ensuring that the Military Industry Office is a viable, properly functioning and effective entity requires constant coordination with the above two ministries, and in general, ideas that can be integrated into a concept that takes into account the economy as a whole. Not only was this not the case, but there were noticeable tendencies to the contrary, which is why the office had to be abolished.

[MAGYAR NARANCS] Jeno Laszlo has attracted enormous attention recently when he appeared at a Hungarian Way Circles rally. Could this be one of the reasons why his office was abolished?

[Mile] No. I am absolutely certain that this was neither an ideological nor a political decision, but a practical one. The way it was set up the Military Industry Office had become a meaningless and nonfunctioning entity. Thus the decision was made on the basis of structural and practical considerations. If his appearance at the rally had been the reason, obviously it would have been enough just to remove him; they would not have tempered with the office. This only proves that this is not what we had here. It is a different matter altogether that I thoroughly disagreed with his appearance there. One could also get into a debate about whether or not the public office law permits such appearances. In any case, I thought it was an unfortunate move, but that is my own subjective view which had nothing to do with the decision.

**Table 1. Organizations Considered by the Military Industry Office to Form the Basis of Hungary's Military Industry**

Nitrochemical Works of Fuzlo
Telecommunications Research Institute
Pest Region Machine Factory
Foreign Trade Enterprise of Technology
Mechanical Laboratory
Auto Industry Research and Development Enterprise

MIKI [Instrument Industry Research Institute] Measuring Technology Development Enterprise

The company that operates the DIGEP General Machine Works

The ammunition manufacturing division of the Metallurgy Works of the Matra Region

The weapons manufacturing division of the Weapons and Machine Factory [FEG]

[Box, p 5]

#### "Pillars of the Military Industry"

Some of the ten economic enterprises considered to be the basis of Hungary's military industry are currently facing liquidation. One of them is the Pest Region Machine Works. We have also inquired about the situation of two other entities targeted for liquidation, the weapons manufacturing division of FEG and the DIGEP General Machine Works.

When asked, the liquidation commissioner of FEG's weapons manufacturing division, Dr. Karoly Koncz, simply told us that last year the division had not lost money. He felt that it was useless to dwell on what Jenő Laszlo had said. He had been edged out by abolishing his office.

The liquidation of the Miskolc-based DIGEP General Machine Works is conducted by REORG, Inc. The firm's President and General Manager Dezső Sugar told our paper that the enterprise had been producing at a deficit both last year and the year before. Once the liquidation of DIGEP was announced they did start coordinating with the ministries of defense and industry. He had no comment to offer on Jenő Laszlo's concepts, saying that they only dealt with liquidation-related matters. The general machine works has received no orders for the past two years, as a result of which the number of people employed there has dropped from 850 to 470. The reason why they had to be kept was because otherwise the enterprise's solvability would have been jeopardized. Regarding the buyer with whom they are currently negotiating, he could only say that it was a limited liability company [kft] registered in Szentendre.

#### \* Communist Power-Salvaging by Border Guard

93CH0690A Budapest BESZELO in Hungarian 29  
May 93 p 9

[Article by "Hatar Orzo" ("Border Guard"): "The Border Guard From Below"]

[Text] The article below came to us from the border lands by way of an adventurous journey. For understandable reasons its author does not wish to reveal his identity. We have no reason, however, to doubt that he is what he professes to be in his signature.

Where should the Border Guard belong, the Ministry of Interior or the Ministry of Defense? This, practically perennial clash of views between advocates of the two options last came to a head in connection with the publication of the basic defense principles, and most recently of the

defense law. In the meantime, the Border Guard has remained one of the models that demonstrate the "system change."

It was the favorite son of the former system. Run by a strong political apparatus, it operated under the direct control of the MSZMP; its hand-picked professional and enlisted personnel served the dictatorial system with exemplary discipline. Its national and regional leaders had been selected from among those who conformed to the political "expectations." Rewarded for his services, the border guard "hero" of the Mosonmagyaróvár salvo István Dudas was allowed to retire as a colonel, and all officers in leadership positions had declared allegiance to the ideals of Marxism-Leninism. In most cases, those appointed to higher positions had first been tested in some political capacity or within the party apparatus, and only after they had proven themselves were they given command assignments.

This system had been in operation all the way until 1990. Its professional cadre had been put under orders not to participate in events organized by opposition organizations, even though they were operating openly and legally already. Whether this had been a provident or just a lucky order on the part of the national command is difficult to tell. The result of it, however, has been that very few border guards could be found among the founding members, followers and experts of the new parties. Not having to worry about voices of criticism from anywhere, and thereby also proving its political aptness, it was able to bring new personnel into the organization, orienting them according to its own liking, while at the same time ingeniously laying the foundation for salvaging its own powers.

After a few months of uncertainty the old leaders, this time as champions of the system change, announced the "modernization of the organization." Under the cover of the slogan "Let Us Make This a Professional Border Guard!" a large-scale reorganization effort was launched—making sure, of course, that every officer who had worked in a party or other political job received his rightful (usually leadership) position—with a relatively modest allotment of personnel (force strength). The problem is that these organizational steps had not been preceded by a clear determination of the purpose and responsibilities of the organization or an evaluation of its effectiveness.

The more you have, the more you want. External—international—developments, the many blunders that have accompanied the system change, the replacement of the interior minister have all played into the hands of the Border Guards. Unlike in the case of the police, here the incumbents did not have to compete for their leadership positions. To the contrary: in the eyes of the new interior ministry leadership the servility and shady past of these formerly exempted party workers, county and city MSZMP party committee members and political advisors has been godsend. Some who neglected to take seriously the formal requirements of the new situation (i.e., got drunk in public; issued statements without permission; failed to help preserve the aura of legality around the leadership) have been

used as handy scapegoats to show the world that moral strictness was on the mend and renewal was under way. Behind the scenes, however, the despotism of the command cadre has only become more profound. Amidst reorganizations for reorganization's sake the number of enforcement personnel has continued to decline, while the size of the order-giving and ancillary organizations has continued to grow disproportionately. Action companies were set up without the necessary professional preparation or the required material, personnel and legal conditions. In the meantime, the squandering of existing assets, misappropriation of funds and the devaluation of abandoned real estate has continued unabated.

The traditional discipline among the enforcement personnel, their faith in the new democratic order have turned them into silent and expectant observers of these processes. Their tasks have become more demanding, leaving them with neither the time, nor the opportunity even to make recommendations on matters concerning reorganization.

Even the so-called opposition parties have only touched the Border Guard if it gave them an opportunity to attack the Minister of Interior. These superficial actions (interpellations) have only strengthened the relationship between the government forces and the leadership of the Border Guard. No attempt has been made to take an expert look at the enormous contradictions that have arisen or at the justification for all this reorganization, which in the long run is both uneconomical and inexpedient, yet is continuing along a virtually irreversible course.

There is reason to fear that due to a lack of understanding of the situation, when the six parties sit down to reconcile their positions on the defense law, subjective ideas and inexpedient obsessions will prevail, and that the decisions concerning the Border Guard will again be misguided. Hence I would like to call on government and opposition party representative and experts alike to give careful consideration to the following questions:

1. Can we lend credence to the internal transformation of leaders, who in their political positions or as commanders had faithfully represented and promoted the MSZMP's policies for years? Do they now possess the courage to voice disagreement, and can they represent the interests of the profession and the force? How did they manage to weather the political about-face as human beings?

2. Why has it been necessary over the past three years to implement organizational changes virtually every six months? Did the necessary personnel, material and financial conditions exist for reorganization, and if so, what substantive results has it produced? How have staffing ratios and the distribution of ranks changed among those directly involved in carrying out the mission, compared with the numbers for leaders, instructors and support personnel, taking also into account the consequences of technical development?

3. How well has the purpose behind setting up the action companies been thought through? Are they expected to

perform defensive or police functions? In official statements these two are often confused. Is it correct to equip the untrained rank and file with armor-piercing rockets and armored vehicles without service crews, firing ranges, proving grounds, maintenance and repair facilities or specialists to support them? What is the justification behind stationing the action companies in towns 20-40 kilometers from the border? To what extent do these companies contribute to the protection of our frontiers?

4. How is the expenditure of materiel and money controlled? Who is responsible for allowing the value of dozens of vacant border-guard-controlled properties to decline every month, and for failing to sell them? How much longer can the living conditions of both the rank-and-file and permanent cadre be tolerated?

There is a long list of additional questions that could be asked. If the people responsible, the politicians, really care about the situation of the Border Guard, the mood and opinions of its enforcement personnel, I challenge them to pay a not preannounced visit to any of its enforcement branch units. Talk to the permanent cadre or with the rank-and-file soldiers stationed there. Right after that, take a quick look around the growing directorates. I only ask that they hurry because tomorrow these institutions may all have different names already.

#### **\* Rethinking Transfer of Assets to Social Insurance**

93CH0689B Budapest HETI VILÁGGAZDASÁG in Hungarian 29 May 93 pp 85-86

[Article by Patricia Molnar: "Social Insurance Assets; Everything Comes to Him Who Waits"]

[Text] In terms of the status of their assets, the new trustees of the social insurance funds elected last Friday are walking into a dark alley. For statements emanating from government circles suggest that preparations are already under way on Kossuth Square [location of the parliament building] to rescind the promise concerning the free allocation of assets which was first made in the MDF's [Hungarian Democratic Forum] election program, and later in a parliamentary decree which for more than a year now has been the law of the land.

Many churchgoers may not have gone to the polls during the 21 May social insurance elections, even though among others the parson at Kisoroszló was urging his faithful to vote for the Workers Councils, which he said "represented true Christian values." It is also possible that the Liga [League] did not choose the most suitable medium when, for example, it decided to attract the attention of the citizenry around midnight, by running an ad between two clips on the Music Television channel.

The several-month-long national campaign waged by Sandor Nagy and the National Federation of Hungarian Trade Unions [MSZOSZ] has proven to be more effective. For this trade union organization earned more, or at least as many mandates in the election of local pension and health insurance boards as the other six entries combined.

Granted, of course, that the breakdown of trade union membership had suggested an MSZOSZ victory from the outset, but the final result probably exceeded even the confederation's wildest expectations.

The joy, however, may soon be tempered if it turns out, perhaps, that there is serious consideration being given, particularly in view of the advances made by the left, to the view hinted at various forums during the past couple of weeks, according to which "the social insurance concept will be reevaluated," meaning that the statutory provisions concerning the allocation of assets should be reassessed. For there is a proposal in the works that would require an assessment first of the size, composition and revenues of the portfolios of the State Property Agency (AVU) and the State Property Management Corporation (AVRt) before assets can be transferred to the social insurance (tb) boards, and lays down additional recommendations for the selection of assets. HETI VILAGGAZDASAG was told at the AVU. This news is surprising for several reasons. An outsider would first assume that the trustees of state property had up-to-date information about everything. Yet just last week, the AVU announced that they had put together a 34-billion-forint package of assets which they would recommend for the social insurance boards to take over free of charge.

But if this was the case, then there always had to have been established considerations for making these kinds of selections. At the same time, considering the fact that parliament had decided, first by issuing a decree in the fall of 1991, then by passing a law last spring, that by the end of 1994, 300 billion forints worth of assets had to be transferred free of charge to the social insurance boards, it would be a little late now to try to figure out what considerations had gone into these decisions. Especially since last year's social insurance budgets had already included the profits which some of these assets were expected to generate. In the past few months several firms have been mentioned in the press—including RICO and the Hungarian Electric Works Corporation—of which social insurance could receive a share. Yet so far the only economic organization under "serious" discussion by the National Social Insurance Main Directorate (OTF) with the AVU has been OMKER, whose fate was just decided last week, after a lengthy debate. According to the agreement, the board of directors of the health insurance funds accepted the proposal of the property agency, with the proviso that it would receive not one-quarter of the firm's shares, but one vote more.

The rethinking of considerations pertaining to the transfer of assets is undoubtedly justified by the fact that the social insurance boards have no consignee or trustee organizations assigned to them to administer the transfer of assets. The main question, however, is whether or not revealing the expected composition of the portfolio would really be of help to the social insurance boards. While insurance companies in the west are interested mainly in real estate property of stable value, here the real sweet deals are found in market-boom sensitive entrepreneurial assets. One source of problems, which has also caused delays in the transfer of assets, has been the fact that the AVRt was

formed after the issuing of the above-mentioned parliamentary decrees, and it is now in charge of managing the assets of our largest state firms. At first the AVRt did not even want to hear about its obligation to transfer assets, but in the past few weeks the discussion has already shifted to determining the division of responsibilities between them and the AVU with respect to the transferring of assets.

No decision has been reached so far between the OTF and the AVU, for the most part since the former would only accept assets that generate an annual return of at least 5 percent, which in the case of a 300-million-forints worth of property would amount to a yearly dividend of 15 billion forints. Even in the best of cases, however, our state enterprises barely break even; in 1991, total profits generated by state assets amounted to 5.7 billion forints, dropping to 4.2 billion forints last year.

Also hindering the transfer of assets is the fact that there are promises galore floating about out there. The AVU, for example, should already be setting funds aside to pay compensation, to finance mass privatization, to support various regional programs, etc. Moreover, the situation of the budget is also not all that bright, so much so that even a couple of billion forints worth of gain may make a difference. It is apparent from all this that it is not only the lack of legal guidelines and technical difficulties that hinder the transfer of assets. The government is motivated by much more serious considerations as it is preparing to reevaluate its, what now appear to be, hasty promises.

Arriving in just the nick of time may be a new proposal prepared by independent representatives Gabor Balogh and Mihaly Kupa for the transfer of assets, which has just been presented to the lawmakers within the past couple of days. The authors of the proposal proceed from the assumption that the governing boards (or boards of directors) to be established will be unsuited for managing these assets, hence they recommend that a separate corporation be established solely for the purpose of administering social insurance funds as prescribed by parliamentary decree. According to their plan, during the first stage a total of 100-billion-forints worth of initial stocks, made up of operating and service assets, are to be transferred to the social insurance boards. They are of the opinion that there are already sufficient operating assets available, to include housing bonds generated from surplus revenues accumulated the 1980's, combined with "assets already transferred" and outstanding claims amounting to 100 billion forints counted at one-third of their value, to take care of social insurance. The total value of these operating assets, they estimate, is 70 billion forints. So according to their recommendation the only thing needed now is to raise 30 billion forints in service assets for the social insurance boards, 25 percent of which would go to the health insurance fund, 30 percent to the pension insurance fund and the rest to a variety of other providers.

Representatives Balogh and Kupa have also set minimal limits on return requirements—at least compared with OTF's demands—asking the health insurance fund and the pension insurance branch to be satisfied with profit levels



of 0 to 2 percent and 3 percent, respectively, with the remaining combination of assets expected to yield a 2-percent annual return. As for the latter stages of the asset transfer process they have not worked out any detailed plans; they would leave it up to the local boards to be elected and the government to work out a deal. In the case of a future transfers of larger assets during the second stage, they predict, the social insurance boards would have to forego their demand that payments be guaranteed by the state. The position of the former finance minister concerning the transferring of assets closely correspond to the views expressed recently by his successor Ivan Szabo, although for now the Minister of Finance has chosen not to involve the public in any of the pertinent details, saying only that a final decision was impending.

Nevertheless, the trade unions entered in the social insurance elections had already begun voicing their protest before the 21 May showdown, stressing that in order for it to function social insurance must have sufficient assets and adequate state guarantees. Among their arguments they also pointed out that while the government was preparing to retract from its promise on the transfer of assets, nothing has been said about the transfer of responsibilities "temporarily" financed by social insurance which the state should be looking after, and without which the insurance funds may not be showing a deficit.

#### \* Analysis of Social Insurance Election Results

93CH0689A Budapest *BESZELO* in Hungarian 29 May 93 pp 13-14

[Article by Janos Eorsi: "Social Insurance Elections and the Trade Unions; Map After the Battle"]

[Text] "A great day has dawned on the trade unions," announced Liga [League] president Csaba Ory to the members of the press gathered at the Liga's headquarters the day after the elections. He was right: On 21 May, more than 3 million people indicated that they had leanings toward one or another confederation, and consequently toward the trade union movement as a whole. Surpassing all expectations, this level of activity has suddenly also resulted in the redrawing of Hungary's political map.

The national trade union confederations have gained strength and thus political clout in democratically held elections, and since their road to success has led through the realm of public law, they can no longer call themselves "civilian" organizations as before. Their campaign had been markedly void of politics—and markedly positive, i.e., argument-free—and was intended to show that their aim was not to conquer the summits of power, but to serve as the defenders of pensioners and people in need of health care. The response, however, was a demand for strong interest representation, for someone to stand up if necessary to the highest levels of power. There was, of course, criticism levelled at the government and its coalition but also at the party system as a whole, which by virtue of its nature and shortcomings is far from being capable of

covering all interests represented in our society. The question for the future is how this democratically created force will be able to fill the gaps in the present party system, and to what extent.

The large voter turnout signalled a rebuff to union opponents; in fact, the success was probably due in part to the resentment generated by their antiunion campaign. Determined to cause the elections to fail, the coalition parties had kept toughening the eligibility requirements and engaging in legal hairsplitting. The trade unions and their sympathizers, however, have responded by meeting the changing requirements every step of the way, causing the constant revisions to seriously backfire. The government media organs had been incessant in their insistence that people did not really understand what was at stake in the elections. *PESTI HIRLAP*, which normally enjoys an immaculate reputation, had also ignored the law and published a survey just before the closing of the polls, predicting a light voter turnout. But even though few are experts on social-insurance related issues, the voters immediately recognized that they had an opportunity to openly state their opinions about the value of the various trade unions and, of course, about the existing domestic conditions.

The views expressed do differ on whether or not the results of the 21 May elections also reflect party preferences. The National Council of the SZDSZ [Alliance of Free Democrats] does not interpret the MSZOSZ's [National Federation of Hungarian Trade Unions] easy victory to be an indication of a shift toward the left; the only political conclusion it has drawn is that there will be a similarly large voter turnout in 1994. *MAGYAR HIRLAP*'s well-known publicist, on the other hand, is already predicting that 1.5 million of the votes raked in by the victorious federations will go to the "left" (i.e., to the MSZP [Hungarian Socialist Party]); the over half a million votes received by the Workers Councils and KESZOSZ (Federation of Christian Socialist Trade Unions) will be used to support forces that are "at least not hostile to the governing parties," while the Liga's 300,000 sympathizers are professing "socioliberal ideas" (i.e., lean toward the SZDSZ).

Although the spirit of our publication should bind us to the first of the three, our views are actually closer to those represented in the third category. Sympathy elections, mobilizing 3 million voters always set into motion certain global value judgements about the political forces that occupy the spectrum. Granted, the opponents of the top winner, MSZOSZ, are relatively lesser known than their equivalents in the party ranks. It is also possible, as many have pointed out, that party sympathies are interwoven among the different trade unions' respective spheres of attraction. A very important limiting factor is the size of each trade union's membership by virtue of which some of those competing (first of all the MSZOSZ and secondly the SZEK [Cooperative Forum of Trade Unions]) ran mass organizations, while others (including first of all the KESZOSZ and to some extent also the Workers Councils) were listed as "electoral parties."

Anyway, the confederations may be divided into two separate categories: the MSZOSZ, the Liga, the Workers Councils and the KESZOSZ may be safely distinguished as "political" blocs from the "apolitical" ones, which include the SZEZ, the Organization of Trade Union Intellectuals [ESZI] and the Autonomous Unions. It is evident, however, that the other half of the votes—those not cast for the MSZOSZ—were shared to a significantly greater extent by the smaller "political," rather than the "apolitical" organizations. Of the latter, SZEZ achieved the best results, representing most elementary and high school teachers, health care workers, public administrators and, of course, the majority of public archive employees, but significant support was also mustered by the Liga on one, and the Workers Councils on both lists.

Values played an undoubtedly greater role at the social insurance elections than membership affiliation or one's actual accomplishments in the trade union movement. The MSZOSZ's victory has confirmed the coalition's fear concerning the revival of nostalgic sentiments connected with the good old system. Nostalgic sentiments are indeed at work, and not only because people are facing "objective difficulties," but also because of the little-liked policies of the government and its coalition. Nor will the third force, the liberals, have an easy task if in 1994, the populace indeed decides to choose between the present or the past.

The negative past of the trade unions, however, was erased once and for all, as having become political forces to contend with the national confederations today are stronger and more united than ever before. The confederations can rightfully speak of a victory for all trade unions; they have shown class in sharing credit for that victory, recognizing that they will also have to share the responsibilities which that victory entails.

There is only one thing that may hinder complete coordination, and it has to do with structure of the Hungarian trade union movement. MSZOSZ president Sandor Nagy is right when he says that having seven or eight separate confederations in a small country like ours is too much. There are too many confederations which may create tensions when it comes to deciding which partial interests should be elevated to be considered nationwide employee interests. The elections are expected to have put an end to the "free trade union versus traditional trade union" dispute, but this may be replaced by a conflict of branch versus professional interests. For example, the civil service law was a mistake not only because it promised wage increases in order to improve the government's popularity (which the finance minister wants to retract now, predictably drawing the ire of at least four of the confederations affected), but also because it has curtailed the rights of the local trade unions, by turning the compensation of educators, health-care workers, actors, etc., into a matter to be dealt with on the national level. The confederations, on the other hand, need to reconcile this national issue with other national matters while trying to act collectively even though their interests may not coincide.

Now is probably the time for them to tackle these differences. The confederations have been given the legal mandate to manage the social insurance system, although it is expected to be some time before they can fully assert their newly gained clout in the operation of the locally managed social insurance programs. The political capital they have earned, however, may soon be put to important use at the upcoming negotiations of the Interest Reconciliation Council [ET], where they will define the conditions under which the unions will say yea—or nay—to the economic and social plans proposed by the finance minister. The collectively gained victory is not necessarily fully convertible to actual deeds. The success must be both collectively and individually nurtured, which will require concessions from every confederation.

[Box, p 14]

### "Another MSZOSZ Victory"

At the BESZELO Club's 12 May trade union roundtable discussion, the presidents of the six trade union confederations each put down in a sealed envelope his predictions regarding the outcome of the upcoming local social insurance elections. The presidents were addressing two questions:

1. What will be the percentage of the turnout on 21 May?
2. How many representatives will their respective confederations end up with on the pension-insurance and health-insurance boards?

In the presence of representatives from each confederation, on 25 May at the editorial office of BESZELO, we opened up the envelopes. The results were as follows, by accuracy of prediction:

	Turnout Percentage Predicted	Number of Representatives Predicted	Actual Number of Representatives
Sandor Nagy (MSZOSZ)	32	33	33
Imre Palkovics (Workers Councils)	25.6	8	7
István Kuti (ESZI)	29.8	6	4
Endre Szabo (SZEZ)	26	8	5
Csaba Öry (Liga)	25.7	13	7
Lajos Focze (Autonomous Unions)	27.5	5	2

Exceeding even the most optimistic estimate, 38.75 percent of those eligible to vote cast their ballots. (The number of representatives voted in for the seventh confederation, KESZOSZ, which had not taken part in our game, was 4.)

## \* MDF MP's, Ministry Defy Government on Agriculture

### \* Committee Versus Government

93CH0732A Budapest FIGYELO in Hungarian 3 Jun 93 p 13

[Article by T.K.: "The Fate of Bills; MDF Representatives Most Intolerant of Government"]

[Text] "As if we were not representatives of this government. If they do not inform us, then they apparently do not require our support, either. The national assembly of the MDF decided to modify the law on cooperatives; how can the government, led by the MDF, deviate from it? Cynically, they allowed us to work for weeks on the modification, and then the minister announces that they had decided earlier not to modify anything." These opinions were voiced by MDF representatives at the latest meeting of the agricultural committee of the National Assembly.

It contributed to the tense atmosphere that the first analyses of the expected effects of the drought and the swine fever in Szabolcs [county] were released on the day of the committee meeting; further, the representatives brought to mind that the recent report of the office of agricultural regulations raised only doubts in the minds of committee members, and not hope.

The agricultural minister stated that his ministerial colleagues regularly snickered at his remarks at the cabinet meetings, but interestingly, this did not make the representatives any happier.

After the background sketch, let us see the facts: Five weeks before the summer break in legislation, the draft of the land bill and the plan of the bank network to finance agricultural production are not yet on the table.

### \* Ministry Versus Government

93CH0732A Budapest FIGYELO in Hungarian 3 Jun 93 p 13

[Article by P.B.: "Agricultural Ministry Versus Government?"]

[Text] One of the three wishes from the fairy tale would be legal security, if there were a fairy to ask the leaders of cooperatives about their wishes. In our times, instead of a fairy, one has to make do with the privatization minister, who, to the great satisfaction of the participants in last week's meeting of agricultural cooperative members and producers, announced that the government does not support the modification of the law on cooperatives which would trigger a new wave of withdrawals [from the cooperatives], because it would jeopardize continuous agricultural production.

However, in a democracy, the will of the government in opposition to the will of parliament is mere fiction. Namely, it is none other than the agricultural committee of parliament which is dealing with the above-mentioned modification of the law on cooperatives. And if parliament

accepts the proposal, then, let any minister say whatever he wants, the modification proposal will become law! And the planned modification of the law is a serious matter, because by extending the deadline of the law regulating the manner of withdrawal from cooperatives, which expired on 31 December 1992, it encourages the possibility of renewed withdrawals.

According to the modification proposal, a so-called group withdrawal can take place if the portion of property intended for withdrawal is at least 10 percent of the cooperative's entire property, or its value is at least 10 million forints. With this portion of the property, one would be able to withdraw from the cooperative if the business share vouchers of the owners who make the decision to withdraw serve as a collateral. The withdrawn property must be farmed for at least three years.

At first glance, the proposal seems to be very modest. However, it is difficult to explain that if after the expiration of the original deadline, 90 percent of cooperative members have already decided to stay, why start the whole business all over again after a few months?

It is apparently only a malevolent assumption that they launched the modification of the law because the political idea of the expected explosion of cooperatives did not materialize. And if it did not work the first time around, they will try a second time....

To be sure, it is a God-given, or at least constitutional, right of representatives and groups of representatives to experiment in this way. However, the interesting thing is that the committee wishes to submit the law package developed by the agricultural ministry as its own proposal.

While the government says "no" to something, does the agricultural ministry want to submit its position to parliament packaged in the constitutional wrapper of a committee initiative? According to the agricultural ministry's reaction, this is mere fiction; at the press conference convened in the matter, the political undersecretary of the portfolio claimed that the ministry developed the draft of the modification as a self-evident duty, only at the committee's request.

Frankly, this version is not any better than the previous one, because it is strange for a parliamentary committee to request the ministry which represents the government to develop a proposal opposing the government's position. Even if the master of both "firms" is the same political group.

### \* Role, Prospects of Largest Commercial Bank

93CH0697A Budapest NEPSZABADSAG in Hungarian 1 Jun 93 p 18

[Article by Judit B. Varga: "Favorable Terms, Sluggish Transactions"]

[Text] On the basis of the aggregate sum of its balance sheet, the National Savings Bank Corporation [OTP] is the largest commercial bank. Of course, this fact is not surprising, since this bank has the largest network of all

commercial banks, with its more than 400 branches. In 1992, its market share in savings by the population was 73 percent, in housing loans, 91 percent, and in consumer loans, 38 percent. Last year, 84 percent of all credits to the population originated from the OTP. However, while housing loans increased both in number and value, consumer loans, and within this category, credits for purchases and personal loans, decreased both in their number and the amounts advanced. In the latter category, the decrease was due primarily to tightened principles of collateral security. However, in the case of consumer credit, beyond the unquestionable decrease in demand, the data were fortunately also influenced by the fact that more and more merchants offer the possibility of purchases on installment.

A very wide range of products can be sold for consumer credit extended by the OTP by stores that establish a credit protection fund with the bank. At the moment, the bank has a contract with 65 commercial establishments. In these establishments, one can find a remittance service, located on the site of purchase, which the customers already know and are accustomed to. Incidentally, those who apply for a simple consumer loan must still make a cash down payment of at least 30 percent of the price. The rest can be paid over a term of no more than 18 months. The current interest rate is 25 percent, with an additional one-time handling fee of 3 percent.

It might be a promising sign for the population that increasing the pool of consumer credit occupies a prominent place in OTP's 1993 business policy. It is conceivable that in the case of durable goods of a greater value, longer terms of credit than the present ones (in general, one year) will be used in a wider range. The bank wants to adjust interests rates more rapidly than before, and more in accordance with changes on the market. In reality this means that in certain branches and provisions (for instance, in the case of consumer credit), one might even expect several smaller changes in the interest rate within a single year.

Beyond the practice of consumer credit, previously mentioned, the OTP (unlike savings cooperatives) continues to issue a fairly large number of letters of credit. In this case, the required down payment is 30 percent, and payments are stretched over 12-18 months. However, the letter of credit is accepted by almost every merchant, which is not surprising, since the bank guarantees payment for it. But the OTP only issues a letter of credit to an applicant who proves his solvency beyond a doubt.

However, the concept of solvency and the range of collateral securities accepted by the bank can be interpreted fairly broadly. And the local branches of the bank, which are authorized to take care of these matters, do interpret them fairly broadly. Thus, if a customer wants to make a purchase in this way, he has to arm himself with patience and understanding for the frequently very inexperienced

officials. Of course, this is not an easy task. Neither is it easy to accept that the various provisions and prerequisites changed at the OTP, but the authoritative character of administration did not.

In today's deluge of enterprises, the branches of the bank still rigidly insist on the verification of income by the employer. This can be disadvantageous to those whose income stems from several sources, and the greater portion of it not from their main place of employment, because their "official" credit rating is much below the actual figure. It is even more unpleasant, however, when a private entrepreneur or the owner of a small firm wishes to buy an article for his own use for credit. In the current system this is simply an insoluble situation. He cannot write a verification for himself, and of course no one else can do it for him.

The matter is incomprehensible because, according to a option granted by law, a certified income tax declaration from the previous year can always be requested from the APEH [Office of Tax and Fiscal Auditing]. And this [the income tax declaration], in our opinion, is more reliable than a document completed by the place of employment which is here today, but may be under liquidation tomorrow. Not to speak of the fact that the truth content of such documents is not always ideal. Of course, in times which subscribed to the principle of complete employment and carried it out in practice, this solution was self-evident for the banks, but perhaps they should notice, as well, that that time is past. Incidentally, this also applies to savings cooperatives and the post bank, as well, which does not extend credit for purchases, but does so for other reasons to private persons in a very limited range.

Returning to consumer credits from the OTP, this institution has two kinds of credits on social political principles. One of them can be requested by young families or single parents under 35 years of age. The amount they can borrow without a down payment, in several installments, but only once in a lifetime, is 40,000 forints [Ft]. The credit can be applied exclusively to certain commodities, and this is insured by the fact that the credit is extended in the form of a letter of credit. Thus, the applicant must first go to the store, select the article to be purchased, and then he can pay with the OTP document covering the purchase price. However, the conditions of the credit are very advantageous: The term of credit is at most 36 months, annual interest is 8 percent, to which a one-time, 1 percent handling fee is added.

The other special credit for purchase requires a youth savings account intended for the purchase of a home. The credit limit, the size of which depends on the amount in the savings account, but not more than Ft60,000, which is not applied to home building, can be spent on consumer goods. In this case, the applicant can obtain credit on very favorable terms, without a down payment, for a maximum of five years, with an annual interest rate of 6.5 percent, and a 1 percent, one-time handling charge.



### \* Solidarity Opts for Independent Election Campaign

93EP0304B Warsaw RZECZPOSPOLITA in Polish 29 Jun 93 p 3

[Article by Piotr Adamowicz: "Headquarters After the Congress"]

[Text] The day after the Solidarity congress, the moods in Gdansk, where the union was formed, where the headquarters of its national offices are located, and where one of the strongest structures of Siec [network of Solidarity organizations in Poland's largest plants] exists, varied greatly. "Those were great days for Solidarity," says Marian Krzaklewski, the chairman. The Gdansk Region considered whether to nominate candidates for parliament at all. According to Jerzy Borowczak of the Gdansk Shipyard, Walesa was treated horribly.

#### We Have Strengthened the Union Identity

Krzaklewski declares, "We have strengthened the union's identity." Thanks to the decisions at the congress, Solidarity is more independent, less subject to the influence of the political parties and politicians. Those who sympathized with the Democratic Union [UD] have identified themselves, and they will be candidates for deputies on the list of the Democratic Union UD. The conflict with some of the "ethosites" was also a serious dispute about the ideological face of the union. Solidarity will never be leftist. It is close to the right. Contrary to the rumors of a confrontation, the congress showed great generosity and common sense. "Thanks to me, the resolutions condemning the deputies and Siec were changed. I threw my prestige onto the scales," says the chairman. It showed common sense in rejecting by over 90 percent the resolution of the Mazowsze Region condemning the president.

Krzaklewski does not sense the embarrassment. He says that the president could have come and spoken because everything was still possible on Sunday evening. The delegates showed indecision, as is evident in the resolutions on taking up the election resolution again. He does not comment on Walesa's comments about the union departing from its path. "We still regard the president as a partner, and we will still talk with him," he adds.

"Some 'ethosites' staged their exit; they organized demonstrations, throwing ballots before the cameras," says the chairman. "They wanted to show that the union is divided and that there will be a great split. In Solidarity, there are tens of thousands of legends who helped create it. And a dozen or so are always mentioned."

#### I Don't Feel So Good

Jacek Rybicki, the chairman of the Gdansk Region: "I don't feel so good." The atmosphere was different from that at the roots of Solidarity's operations. Campaigning against people and a settling of accounts predominated. It was hard to get separate reasons heard. It was difficult to save the pluralism that has dominated for years in the union.

Rybicki thinks that, regardless of the presence of Walesa, the congress in any case would not have decided that the union should join the Unaffiliated Bloc To Support the Reforms [BBWR]. The delegates come with their opinions already formed. And decisions on independent participation were voted on "on the march." "Because the congress thinks that Solidarity will be successful, it bears responsibility. It is too bad that there was no discussion on the formation of a political representation for the union. If there had been one, we would have avoided many difficulties. It is not known why so many activists approach the issue of a party or some kind of forum the way a dog approaches a hedgehog. The majority of the unions in the West do place their sympathies and political support somewhere. Recently, the AFL-CIO supported Clinton."

Those in the regions are wondering whether to put up a list of candidates for parliament. "We are tired of campaigns. We do not know whether the euphoria of the activists finds any resonance among the average members," says Rybicki. However, the most important problem is the "ethosites." Bogdan Borusewicz became a deputy with the largest number of votes in his district; the same is the case with Alina Pienkowska, a senator (about 200,000). The former deputy was condemned, and the former senator threw a ballot at a delegate. If they start on another list, they will take votes away from Solidarity; if on the union list, the region will face a conflict with the national offices.

#### III Treatment for Walesa

"The way they treated the president is uncivil and a punishable effrontery," judges Jerzy Borowczak, the chairman of Solidarity at the Gdansk Shipyard and one of the leaders of Siec. He is happy that the paths of Walesa and Solidarity are separating. Perhaps people will finally understand that it is not they who are making decisions but the union officials. The officials have forgotten that Walesa comes from Solidarity.

The workers will not vote for Solidarity because they do not understand how one can fight for workers' rights and also put up a full election list and want to win the elections. "Do they want to form a government?" asks Borowczak. "They should not put up a full list because, if they succeed in the election, they will again 'behead' the union; the parliament members will enter great politics and leave Solidarity."

Borowczak thinks that the congress, by withdrawing at the last moment from the categorical condemnation of Siec, showed the last remains of common sense. "If they condemned the strongest factory structures, they would have serious difficulty getting over the election threshold."

In his opinion, what happened at the congress can only increase the vote of the BBWR; the "success of that group in Gdansk would be rather ensured."

### \* Likely Election Outcome, Consequences Considered

93EP0304A Warsaw RZECZPOSPOLITA in Polish 29 Jun 93 p 3

[Article by Jerzy Holzer, a history professor at Warsaw University: "Election Prospects"]

[Text] It is still too early to predict the election results with any accuracy. There are many unknowns concerning the reality of the proposed presidential bloc, the consequences of the discussions for a number of election coalitions, the style of the election campaign as a whole and the campaign conducted by the particular parties, the personnel decisions on who is to lead the lists, and the particular candidates.

What can be foreseen today are the possible variants and their consequences. There are a number of variants, and their consequences are not always fully evident, but it is worth the effort to carefully consider each in turn in order to be aware of where the opportunities and dangers lie, so as not to say later that we were surprised, and so it does not turn out again that the regular citizens did not expect the effects of their own actions or lack of action.

#### Presidential Variants

The first idea of Lech Walesa was to form a proreform coalition that would include the parties represented in Suchocka's government. One can think that that idea was only a propaganda effort and a trial balloon. It was clear that a joint list of the government parties would meet with disapproval from a significant portion of the potential voters and would lose those voters to other parties or, in the best case, provoke their absence. It is also worth recalling that, two years ago, the government parties received about one-third of the votes in all. Even if one assumes that support for the president would ensure a potential coalition a certain number of new voters, it would be difficult to expect it to succeed; its defeat would be seen as a proxy vote against continuing the reforms.

The president was not unusually attached to that first idea. Almost immediately after the negative reactions of the government parties, he announced the next proposal—the formation under his leadership of the Unaffiliated Bloc To Support the Reforms [BBWR]. The shape of that idea is still unclear and the reactions mixed. In particular, it is not known whether it is to be another trial balloon joined to the promotion of the person of Lech Walesa as an active politician who cares for the good of the country or whether this is a plan for actual participation in the elections by a list of the BBWR as a presidential list. Much points to the first answer. What benefit could the president get from the open support of a list that could receive, at most, 18 percent but perhaps could get no more than 10 percent of the votes cast? The damage to the presidential prestige would be all the greater because in recent weeks Walesa's visage has been received favorably but critically in a way that would not incline anyone today to support a presidential list but could, in the future, incline people to support his candidacy again, even if in a second round, as a lesser evil.

If, however, the president actually decided openly to support a list, presenting it could have a large influence on the results of other lists. The Solidarity list, which might not even cross the 5-percent threshold, would probably suffer the most. The majority of parties would see some losses, although surely the presentation of a presidential list would not have much influence on the potential electoral bloc of the Center Accord [PC], the Movement for the Republic [RdR], and their allies. It is doubtful whether a presidential list would come out of the elections as the strongest (which, in accord with Walesa's comments, would give it the right to nominate a candidate for prime minister). If, however, it happened, the formation of a governing coalition would again be a headache and would be no easier. If, on the other hand, Solidarity, the Christian-National Union [ZChN], and the liberals did not get into parliament, the formation of a future government would surely require the participation of not only the Polish Peasant Party [PSL] and the Union of Labor [UP] (if it gets into the Sejm) but also of one of these three groups: the bloc of the PC and the RdR, the bloc of the Confederation for an Independent Poland [KPN], or the bloc of the Social Democracy of the Republic of Poland [SdRP]. It is hard to imagine what the program position of such a government combining the liberal economic conceptions of the Democratic Union [UD] with the defense of the interests of the state workers by the UP (perhaps of the social democrats or the confederates) and with the agrarian protectionism of the peasants would be. The diametrically different views concerning the role of the president, the review of personnel and, from a complete different arena, the range and rate of "Europeanization" would also not contribute to the formation of a government.

#### The Pessimistic Variant

Nevertheless, the presidential variant would be more beneficial than another that cannot be excluded in the case of a poor performance by the presidential list. The 5-percent threshold (or 8 percent in the case of a joint bloc) threatens the parliamentary existence of the UP, the liberals, and all of the groups of the Polish Convention [KP], and the ZChN as well as the center-right bloc of the PC and the RdR. Let us attempt to imagine the makeup of parliament if all of these groups fail to get in. On the left, there would remain only the SdRP. On the right, there would be no representation of the Christian-democratic, the Christian-conservative, or the Christian-nationalist groups. Beside UD, Solidarity, the PSL, and the KPN would gain strong positions. In fact, it would mean, however, that UD would have difficulty finding partners to implement the program of economic reform. Worse, the Christian and nationalist parties pushed out of parliament would surely move a part of the political struggle into the streets and would use other forms of extraparlimentary action.

The opportunities for forming a majority government would not be better if the representatives of the central-right bloc were in the Sejm. During the past year, they have represented an extremely antigovernment and antipresidential position and have also found themselves in sharp conflict with the former communists of the SdRP and the

KPN. The presence of the center-right bloc then could finally decide the existence in the Sejm of an exclusively negative majority, without any opportunity of forming a positive majority.

### **The Optimistic Variants**

The optimistic variants must rest on the assumption that, as a result of the elections, there will be at least one and, in the most favorable case, two or even several opportunities for forming a constructive majority. The most optimistic variant then must foresee the presence in the Sejm of the UP, the ZChN, the liberals, and the groups of the KP. While the first two parties must compete with their own lists or with lists they dominate because otherwise they would suffer serious losses due to the shaking of the foundations of their own identities, the KP can get into parliament only as a participant in a broader coalition. That was an argument for the formation of a bloc of UD, the liberals, and the KP. One can also think that, given the current election law and the lack of any clear antagonisms dividing the potential voters of those three groups, the possible losses deriving from the formation of a bloc would be smaller than the benefits gained. As is known, that bloc was not formed.

The presence in the Sejm of UP, the liberals, the ZChN, and the KP would create opportunities for several governing coalitions, although obviously everything would depend in the end on the number of seats and the readiness to conduct flexible politics. It seems, however, that all of these groups have a good understanding of the fact that parliament is based on a readiness to compromise. In particular, one can imagine a coalition of UP, UD, and the liberals, a stronger government than heretofore that takes into account the demands of social policy. Such a coalition could find support from Solidarity and the social democrats on many issues. Another variant is a coalition reflecting the composition of the Suchocka government and continuing its policies (although there the probability of finding a majority in the Sejm is relatively smaller). Still another variant would be a coalition of the same parties with the PSL that would take into account the strong agrarian

interests and thus include some concessions for protectionism and other ways of protecting agriculture.

The operation of as many as three variants for a possible governing coalition assumes the presence in the Sejm of all of the mentioned groups and the appropriate distribution of seats. If the bloc of the PC and the RdR also appears in the Sejm, it would surely be more difficult to distribute the seats, and there would remain only one variant for a majority government. On the other hand, the presence of a center-right opposition would protect Polish parliamentarianism from excessive radicalization of action outside the hall of deliberations.

If among the mentioned groups only UP appears in the Sejm (as the current surveys would indicate), there is only one chance for a left-center majority. If, on the other hand, the representatives of the liberals and the KP do not appear in the Sejm (the latter seems certain, if it does not participate in an election bloc), the chances for maintaining a cabinet similar to Suchocka's decrease or even disappear. If, among the mentioned groups, only the ZChN appears in the Sejm, there will probably be no alternative to a majority coalition with the participation of the PSL.

### **Is Reflection Before the Election Needed?**

It is necessary to return again to the starting point. No one is able to foresee today what the results of the voting will be three months from now. However, politics depends on knowing toward what one is striving and not just on yielding to emotions or the magic of indicators and election statistics. That rule applies equally well to active politicians and "passive politicians," to all who are limited to casting their votes in the parliamentary mechanisms. (Paradoxically, the active politicians implement their "passive election rights," while the voters benefit from the "active rights.") Elections are a decision made by millions of people. But the vote of each of them counts.

The direction the politicians give the election campaign counts even more. But what else can the word "politician" mean than thinking in prospective categories, imagining, being ready to choose the most beneficial solutions, even if they are not accepted with enthusiasm?

### **Roman, Opposition Coalition Under Fire**

93BA1128A Bucharest *EUROPA* in Romanian 8-15 Jun 93 p 1

[Article by Ilie Neacsu: "A Perpetual Circus Atmosphere"]

[Text] Romanian political life is in permanent ferment. The parties accept this turbulence and are constantly agitating for the dregs of power. These days, there are few political groupings that wish to assume responsibility for their actions. And, as a result, those that do find themselves constantly being drowned out in a variety of ways so that social tension can reach new heights.

Ignoring the general inefficiency of their own activities, the opposition parties led by the FSN [National Salvation Front] and the PNTCD [National Peasant Christian Democratic Party] are trying everything in their power to split up the forces that control Parliament and the executive branches today. Their entire arsenal—visible and invisible, legal and illegal—is engaged in destabilizing political life. It does not matter that the country is going to ruin, that foreigners are becoming involved in all areas of economic activity, that prices have skyrocketed, that livestock has been decimated, and that the fire that rages in our neighbor's yard may break out any moment in our own. The opposition knows what to do in these circumstances—oppose any attempt to improve our economy and to bring about social tranquility.

To succeed, leaders of the opposition have formed the strangest alliances, an activity that has discredited them in the eyes of the public. Who, except for us here at *EUROPA*, would have ever dreamed that the PNTCD, the PAC, and the liberal riff-raff of Dinu Patriciu would be in the same boat with the Newlander Salvation Front? We sounded the alarm some time ago and informed the public about the lack of scruples of certain flunkies who, overnight, circumstances turned into political illuminaries. We said that the exaggerated tolerance of state officials regarding anti-Romanian activities committed by the son of Cominternist Walter Newlander Roman, known by the name Petre Roman, is not only harmful but can be viewed as a sign of complicity by certain representatives of state organs tasked to maintain order in Romanian society.

To this day I cannot explain why the State Prosecutor's Office, the Ministry of Justice, the Interior Ministry and the SRI have not deigned to put behind bars those responsible for wrecking the economy, for the corruption around us, for giving away stocks, and for the crass dispersal of our cultural heritage. In other words, why hasn't there been a solid, full-scale investigation of the economic disaster in our country, the 99-percent reduction in our livestock, the export of art treasures, the exclusion of valuable cadre who could have left their mark on an industrial renaissance, the abandonment of investments begun by Ceausescu (especially in housing construction), the general poverty, the spending of the hard currency we had on 22 December 1989, and the devaluation of our national currency, an

investigation that would have hauled into court Roman, Severin, Stolojan, Dijmarescu and the others who have demolished Romania?

The counteroffensive by Petre Roman and his circle of imposters is no surprise to me. To save themselves, the incompetents who ruled so disastrously for two years will try any maneuver. The Jewish style is the FSN's hallmark. The best defense is attack. And so the guilty attack. In the Jewish press, from *EVENTIMENTUL ZILEI* to the filthy rag *TINERAMA*, there are all sorts of articles favorable to these unrepentant criminals. In the end, the identities of those responsible for the deaths of so many innocent youths in December 1989 must come to light. I do not believe that the film taken during the revolution, featuring Silviu Brucan, Laszlo Tokes, Petre Roman, Gelu Voikahn [as published] Voiculescu, Teodor Brates, Victor Ionescu, Ioan Grigorescu and others of their ilk should be forgotten.

As is Jewish custom, Jews are always changing their names. And now the Jews have changed the name of their party. They began with "FSN," which now has a new name, the Democratic Party.

Feeling how the noose is tightening around his throat—he doesn't have a neck—Petre Newlander Roman is trying one diversion after another: Either scandals in Parliament, or declarations abroad that Romania is led by communists and fascists at the same time, or that "extremists" at *EUROPA* and *ROMANIA MARE* want a restoration of the old order.

Thrashing wildly like a hunted beast, Petre Roman is only hurrying his end. It is fitting and just that the law should meet him halfway. Left free, the little Newlander just makes useless waves. And to finish the job, it is once again fitting that all the incompetents this nobody put into positions of power after December 1989 should be removed from their posts. It is said that Neagu UdROIU, that hack writer with the little notebook who used to appear alongside dear Nicu on every working visit, the general director of *Rompres*, is one of Petrica Newlander's boys. How appropriate would it be for that individual to work down below, down there where the publicist's purgatory washes away the sins of newsmen who, through no fault of their own, are placed at the top of the heap. If we are asked, we will also put in "a good word" for Mr. UdROIU just as we did for Martin Segal Ionescu from *Loto Pronosport* who no longer is director general of that operation.

We must put an end to this circus where everyone does as they please without being held responsible.

### **Charges of 'Destabilization' Against Opposition**

93BA1159B Bucharest *EUROPA* in Romanian 15-22 Jun 93 pp 1, 4

[Article by Ilie Neacsu: "The Opposition: Just Opposed?"]

[Text] It is hard for someone to get a complete picture of Romanian society today. Political passions distort our reasoning. Analysis is made through the prism of our political affiliation. Detachment from political ideas is



nearly impossible for independent analysts, too. What is happening today in political life is in the area of the absurd. Old-fashioned politicians are trying to get their hands on power using primitive methods, even making a pact with the devil just to get a piece of the pie.

Everybody can see that the parliamentary opposition is behaving abnormally. Convinced that their role is to be opposed, the parties of the Democratic Convention and its satellites are refusing to go along with any initiative coming from the political forces currently in power. For the opposition, everything the government, the parliamentary majority, the presidency or other organs in the state of law undertake is wrong. Without ever coming up with a program for governing, the opposition's political leaders go by the book of destabilization, destruction, irritations, and increasing social tension.

But who is this opposition? I would not begin with the porkchops of the FSN [National Salvation Front] or the liberal parvenus. I would begin with the eternally dissatisfied PNTCD [National Peasant Christian Democratic Party]. Coposu, Diaconescu, Lup, Sandulescu, and so forth wish by any means to get their hands on power for a vendetta, for revenge. With one foot in the grave, these particular political leaders, convinced that the grim reaper is on his way to get them together soon for their final meeting, shout everywhere that nothing has changed in Romania, that the communists are still in power, etc., etc.

The PNTCD logic is unique. Just because these relics from the past did not get the approval of the electorate, they claim there is no freedom or democracy in Romania. When politicians and newsmen in Parliament show them the naked truth, the PNTCD brands them as neocommunists, *Securitate* members, and sometimes fascists. The opinion of the PNTCD leaders is always different than that of the formations holding the majority in Parliament.

For a time, representatives of the opposition in Parliament resorted to some of the most infantile acts. If they did not like someone's speech, the decrepit old PNTCD members, added to whom are puppets from other formations, would leave the hall like children whose toys had been taken away, pouting before their more clever comrades. True, extenuating circumstances may be attributed to the peasant elephants. Sclerosis has reached deep into what remains of them; otherwise, how could a victim of communism—here I shall name just Corneliu Coposu—ally himself with Petre Roman? Petre Roman, offspring of Walter Roman the Comintern member, the lowest kind of Judeo-Stalinist who put thousands of families of Romanians in mourning. Corneliu Coposu passes over these "details" when it is a matter of his getting his hands on a piece of the pie. This is also how the demolition clique of the PNTCD proceeds in its relations with the UDMR. In order to reach its goal, the successors to Iuliu Maniu are joining with the Hungarians against the Romanians. Then the decrepit old PNTCD members feel that the country's laws do not concern them, either. Recently Sandulescu, the distinguished PNTCD senator from Valcea, paid a working visit to Voineasa, where he was greeted by more than 15 sympathizers.

Answering a local about whether he had to respect the Law on the Land Fund, Mr. Sandulescu let it be understood that it is not necessary to respect the law if that is how your conscience dictates. That is, the law is at the beck and call of the peasants' consciences.

Because he gave them a piece of his mind, Gheorghe Dumitrascu, the FDSN senator, was treated by the opposition in conformity with the now-very-well-known style of the house: Leaving the halls of Parliament.

There also are FDSN members who graze in the pasture of the governing party but who are being milked by the opposing parties. The example of the president of the House of Deputies is graphic. From the start, Adrian Nastase demonstrated he is an opportunist just like Petre Roman, Dinu Patriciu, Ion Aurel Stoica, Adrian Severin. Otherwise he is a FDSN member in name only. His place is in the FSN or under Dinu Patriciu's wing.

All kinds of rumors from different directions made us think. A politician who flirts with the Masons, who receives the title of Cavalier of Malta, who bows down before European officials in order to be elected successor to the country's current president and FDSN leader is beyond the power of understanding of a normal man. I think Adrian Nastase will move very soon into Newlander Roman's cart. I would not be surprised if Misu Negritoiu also moves into the Jewish camp in order to compromise his Oltenian origin once and for all.

We can foresee the anticipated elections on the horizon. But who has the dignity to abandon his position in Parliament for the sake of the unforeseeable? Of course, the opposition will not agree to the anticipated elections this time, either. The electorate is waking up day by day to the fact that the havoc since 1989, carried out in the name of I do not know what democracy or freedom, has paralyzed Romania's economy and has destabilized a society that was in operation and that, it is true, needed to be touched up in many aspects.

The FDSN will not receive the votes from the last time, either. The PUNR [Romanian National Unity Party], the PSM [Socialist Workers Party], and the PRM [Romania Mare Party] will record increases. Perhaps the FSN, if it participates with its own lists, will get as many votes as did the PNL [National Liberal Party] did in the last election and will disappear from the political checkerboard as well as the Republican-Monarchist Party of Ion Manzatu, which will be just another statistic.

The bitter battle is taking place in Parliament, with the antinational opposition headed by Coposu and Constantinescu in the forefront, to sell land to foreigners. I feel that Parliament does not have this right and a referendum alone can decide this matter. It is a crime for Parliament to go over the people's heads to decide. But let us continue to follow the shows offered us by the parliamentary opposition for free.

**Members of SRI Parliamentary Oversight Commission**  
93P20204A

[Editorial Report] Bucharest MONITORUL OFICIAL No. 133 in Romanian on 23 June on pages 3 and 4 reports that the Romanian Parliament has elected the following senators and deputies as members of the joint permanent commission of the Chamber of Deputies and the Senate for parliamentary oversight of the activity of the Romanian Intelligence Service [SRI]:

- Senator Vasile Vacaru, Democratic National Salvation Front [FDSN] parliamentary group.
- Deputy Ilie Nica, FDSN parliamentary group.
- Deputy Nicolae Ionescu-Galbeni, National Peasant Christian Democratic Party [PNTCD] and Romanian Ecologist Party parliamentary group.
- Deputy Doru Viorel Ursu, Democratic Party parliamentary group.
- Deputy Vasile Matei, Romanian National Unity Party [PUNR] parliamentary group.
- Senator Karoly Szabo, Hungarian Democratic Union of Romania parliamentary group.
- Deputy Gheorghe Gorun, Civic Alliance Party [PAC] parliamentary group.
- Deputy Toader Constantinescu, Romania Mare Party [PRM] parliamentary group.
- Deputy Marin Lungu, socialist parliamentary group.

According to the source, Senator Vasile Vacaru was elected chairman of the commission and Deputy Nicolae Ionescu-Galbeni, deputy chairman.

**\* Ethnic Hungarian in Exile Writes Romanian Police**

93BA1147D Bucharest ROMANIAI MAGYAR SZO in Hungarian 5-6 Jun 93 p 7

[Letter to the Mures County police department from Dr. Elod Kincses, a former official of the Democratic Association of Hungarians in Romania and of the World Federation of Hungarians; written in Budapest on 29 April 1993]

[Text] *In ROMANIAI MAGYAR SZO, we recently publicized the fact that despite all claims by the Romanian authorities, the Maros [Mures] county police took legal action in the case of Dr. Elod Kincses, and that there exists a subpoena in the case by the department of criminal investigation, addressed to the former vice president of NSZIT [expansion unknown].*

*The official communication, dated 12 March, 1993, which was forwarded to us as well, is actually embarrassing to the Maros county police; the official reply to it was allowed to be published as of 1 June, and we eagerly do so now.*

*We print here the official document submitted to the Romanian Embassy in Budapest in an official [Hungarian] translation, in its entirety.*

File no. 121/A/1991

To the Maros County Police Marosvasarhely [Tirgu Mures]:

The undersigned, Dr. Elod Kincses, resident in 4300 Marosvasarhely, Ghiocelului, 10 Hovirag Street, currently staying in 1123 Budapest, 4 Taltos Street, ground floor, acknowledges receipt of your official communication of 12 March 1993, according to which, after three years, you came to the conclusion that I was implicated in the March 1990 events in Marosvasarhely, and "in order to finalize the criminal investigation in connection with your activity, your presence is obligatory."

As lawyers, in connection with participants of the criminal trial, you can only use expressions defined by the legislator.

Thus, you must clarify in what capacity you would like to interrogate me (as a witness, or as a suspect), because Romanian criminal legislation does not know the concept of "implicated."

Should you want to interrogate me as a suspect, then, on the basis of articles 57 and 59 of the Romanian-Hungarian mutual agreement on legal assistance, you must request my extradition from Hungary, enclosing the proofs establishing my "guilt."

Procrastinating the investigation to the utmost, you are not only violating laws that govern criminal proceedings in our country, but also human rights.

In case legality is not reestablished within 30 days, as outlined above, I will appeal to the competent international organs of judgment, in Geneva and Strasbourg.

Budapest, 29 April 1993  
(Dr. Elod Kincses)

Addressee: Romanian Embassy, Budapest

**\* Hungarian-Majority Counties Form Closer Ties**

93BA1147C Bucharest ROMANIAI MAGYAR SZO in Hungarian 5-6 Jun 93 p 8

[Interview with Pal Vilmos Santha, chairman of the Hargita County Council, by Andras B. Kovacs; place and date not given: "What's New? Dialogue Between Szeklers"]

[Text] *The local governments of Hargita and Kovaszna [Covasna] counties recently entered into an agreement: They want to form closer ties. Our readers are rightfully startled at the news. We asked Pal Vilmos Santha, chairman of the Hargita county council: "What does this agreement contain, and what effect will it have on the cooperation of elected municipalities and the everyday life of people?"*

[Santha] The agreement concerns several areas. In addition to the areas of administration and government, it also covers economy, education, and instruction, and the area

of culture, as well as foreign relations. Since we are neighboring counties with similar properties, of course we must cooperate better, because our problems are common. We also have a special task in the maintenance of our ethnic identity. With the new conditions—the law prescribes a certain area of competence for the prefecture, but in reality they are trying to enlarge it—it is important to take over our own area of activity, and take the initiative there. For this reason, it is important to have a closer cooperation between brother and neighbor counties that share our problems.

[Kovacs] How do you begin your work together?

[Santha] The most important thing would be to achieve the autonomy of local authorities from the government. The way to accomplish this is if several counties accepted and subscribed to the claims formulated by local authorities. Autonomy in ethnic terms is important, but the same is true for municipal independence. We must block the government's centralizing efforts. For instance, as far as the economy is concerned, in tourism, we must follow a common line, and it is not negligible which way these two counties are developed in terms of tourism, including both domestic and foreign tourism. We must find the interests which can be utilized to develop and popularize these regions.

#### **Hungarian-Language Publications Under Fire**

93BA1128C Bucharest *EUROPA* in Romanian 8-15 Jun 93 p 4

[Article by Marilena Tutila: "Hungarian Propaganda in the Romanian Language"]

[Text] There are few Romanians who learn the Hungarian language and fewer still who have the time and the inclination to read the Hungarian press that appears in Romania. Unless I am kidding myself, the ratio of ethnic Hungarians to the number of Hungarian language publications is totally out of balance. Thus, it is no surprise that many of them are short of readers and sponsors and are barely staying afloat. In the end, it seems the blame falls upon Romanians who do not seek them out to read from cover to cover. So look what happens, we cannot be accepted into Europe because we turn our backs on the Western Hungarian language.

From this perspective, the Hungarians are a pathological case in Central Europe. There will be much to endure until Romanians as well as Slovaks, Serbs and Ukrainians—in other words all of those for whom ethnic Hungarians remain as vestiges of the former Austro-Hungarian empire—can convince their partners in dialogues in international fora on the continental or global level of the absurd claims of this vicious minority, of their sick inclination toward lies, falsehoods and megalomania. This year, Romania will celebrate the 75th anniversary of the founding of the unified national state, a considerable period of history for any people. During this entire period, the state language of Romania was and is Romanian (except for the short interval of 4 years in the Northern Transylvania when that region was occupied by Horthyist Hungary).

Despite this fact, in today's Parliament in Romania, ethnic Hungarian parliamentarians totally ignore the Romanian language when giving their speeches. If, after 75 years, those who say that they are citizens of this country consider Romanian a foreign tongue, what else can we expect of them? Only the tolerant spirit of the Romanian people could allow a graduate of its high schools and schools of higher learning not to have mastered the Romanian language. In this arena, the former regime followed a very deleterious policy, beginning with the Stalinist Autonomous Hungarian Region and ending with minority representation in the circles of power. During that period it was inconceivable that in the Harghita and Covasna counties the first secretaries could be anyone except Hungarians and not those of other nationalities, not Romanians, Armenians, Turks or Jews.

But see how democracy has created somewhat more stringent requirements, and the only refuge now is the much ballyhooed human rights. Why isn't Hungarian ethnicity claimed with the fervor that it generates in Romania in the United States, for example, the country that gives lessons on democracy to everyone else? Statistical data proves incontestably that there are many more Hungarians in the United States and Canada than in Romania. Despite this, in these countries they do not advocate gathering in their own ethnic political parties or clamor for an "equitable" representation in the halls of power and even less for the preservation of their ethnic and cultural identity. It is with some cynicism that the last historic representative of the Phanariots, Mr. Andrei Pippidi, a Hungarian in the United States, wants to become an American citizen as quickly as possible.

In Romania, on the other hand, the issue is different. Here Hungarians want to be in...Hungary. No matter how much we contort ourselves, no matter how we pretend that we take their loyalty seriously, they will continue to act out this same insipid farce. The second edition of the MAGRO-PRES journal, published under the aegis of the Korunk Friendship Association of Cluj-Napoca, fully substantiates this point. Aware of the fact that Romanians do not read the Hungarian language press, several "generous" translators have decided to provide access to this "precious" source of information. With their dry wellhead of ideas, and their fundamental inability to grapple with rapidly evolving economic, political, social and cultural phenomena, they can only translate the chauvanistic and doctrinaire slothfulness of this press. So-called Romanian extremism pales in comparison with the caddishness of the Hungarian language publications in Romania.

For example, in the eyes of our Hungarian fellow countrymen, what was the most momentous event of this spring? For every Hungarian language publication, every last one of them, the most important event on the national and international scene was the naming of two Romanian prefects for the Harghita and Covasna judets. In the Hungarian language press the invective against the Vacaroiu government's decision to name these prefects came in torrents. You can get the flavor if you only read the titles of

the articles that appeared in HAROMSZEK: "The Government Has Cheated Us," "A Bomb Has Exploded," "Declaration of War," "The Darling of Cotroceni," and so on. And, of course, the ever faithful friend of Romanians, Mrs. Doina Cornea, could not miss out on this feeding frenzy. In the name of the Cluj-Napoca Civic Alliance, she lodged a protest that described the naming of the two prefects as "Political and ethnic discrimination," (SZABADSAG, 1 April 1993.)

Finally, the main Hungarian-language newspaper ROMANIAI MAGYAR SZO states in its 6 April edition, "Romanianizing by stealth in Transylvania," an article that echoed certain commentary in the foreign press. So now we learn, here at the end of this millenium, that Transylvania, ancient Romanian land where the overwhelming majority of the population was and still is Romanian, has been...Romanianized! If Hungarian journalists can whip themselves up into a frenzy over such foolishness, how can they expect to be treated as serious intellectuals or even as credible sources of information?

Who, then, are the extremists in Romania? What would the Hungarian leaders say if the Romanian minority there would dare speak of the Magyarization of that country? At the very least, they would claim they were crazy. To date, however, Romanians have not proved themselves to be bordering on the absurd.

Eurocarpathianism, the new (or old) Hungarian obsession, appears in the Hungarian language press in different forms. One so-called political scientist (more prestigious than Silviu Brucan), Mr. Ankeri Geza, has published a study in the magazine EUROPAI IDO, "An Overview of the Carpathian Basin." And so in passing, this distinguished political scientist sketches several countries: the Ukraine, the Slovak Republic, Serbia, and Romania. Concerning Romania he beautifully draws the following conclusions: "Nothing has happened in Romania, they have not taken a single step forward from the consultations at Cluj—nothing about the University, nothing about setting up an autonomous Hungarian region. Not only in the Mures Judet, but in Harghita and Covasna—where the majority of citizens are Hungarian—there is no framework for self-rule, for the autonomy that belongs to the majority." Another "delicate" subject raised by the Hungarian press was the furor stirred up by the pastor Laszlo Tokes through his irresponsible remarks about a policy of "ethnic cleansing" being pursued by Romania against its Hungarian population. Not a single Hungarian language publication tried even to distance itself from such an accusation let alone strongly condemn it.

On 2 April, the newspaper SZABADSAG, pretending that it was echoing the controversy surrounding the accusation of "ethnic cleansing," put forth this bewildering explanation: "Mr. Tokay concluded that the expression used was unfortunate because in Romania the word 'cleansing' no longer has the sense that it takes on in Bosnia Herzegovina. Of course, when speaking of the history of the past 70 years there are real reasons to use this expression."

The unfortunate Mihaila Cofariu, a victim of Magyar bestiality, has once again become a "fat" target for the cynical publicists who speak the tongue of Attila. One scoundrel, Domokos Peter, in the 23 March edition of HAROMSZEK, writing about Mihaila Cofariu's problems said, "The national hero has come to grief." So these mercenaries are not extremists; they are not nationalists, they are not...what they are not is men. On what coordinates can one base a dialogue with the Magyar "intellectuals" who negate everything?

A line is hard to find under these conditions. There is not a Romanian honest with himself who would ever swallow this Hungarian garbage. Now translated into Romanian, it is available to everyone. Is it really necessary to consume paper and energy to support these senseless claims? June 16 will mark the fourth anniversary of the "Budapest Declaration," the first launching pad for those nostalgic for the Austro-Hungarian Empire. Since that time, their delusions have grown to monstrous proportions. When will a little rationality ever come to these forgers of fantasy?

#### **Rumors of Impending FDSN Split Disputed**

93BA1128B Bucharest EUROPA in Romanian 8-15 Jun 93 p 6

[Interview with FDSN spokesman Dumitru Paslaru by Cristian Sandu; place and date not given: "The FDSN Will Not Split!"]

[Text] [Sandu] Mr. Paslaru, to begin I would like to ask if you could clarify for our readers the issue of these rumors circulating to the effect that a split is imminent in the Democratic National Salvation Front [FDSN].

[Paslaru] Those are rumors, viruses, distortions or whatever you want to call them. There is no indication either at headquarters or in the provinces of any party split. There may be differences of opinion or clashes of interests, but that is absolutely normal for a democratic party and in no way could they lead to a party split.

[Sandu] According to your information from around the country, how would you compare the current level of FDSN popularity with that it enjoyed during the 1992 general elections? Is it up or down?

[Paslaru] We have a team of senators, deputies, and other party leaders who travel around the country and analyze the status in each area. I can tell you that the situation now is about the same as it was at the time of the elections. There may be some minor, insignificant variations.

[Sandu] In your view, is Mr. Nicolae Vacaroiu's government respecting the FDSN platform that lead to victory in the elections?

[Paslaru] For the most part, naturally there are now differences between a theoretical document and actual practice. We drew up that platform on the basis of information we had at the time regarding the situation in the country and the national economy. I should add that although we affirm



the primacy of social-democracy as a governing principle, in implementing reform, elements of economic liberalism also manifest themselves.

[Sandu] I certainly agree with you that the elements of liberalism to which you refer are implicit for a society that is evolving from an ultracentralized economy to a market economy. For the long term, however, will the FDSN maintain the social-democratic option of the center-left?

[Paslaru] Here there are two options. Either we bring about a society with a social-democratic structure all at once, or we build a capitalist economy that we then later soften through a social-democratic political process.

[Sandu] Which of these will the Democratic Front of National Salvation pursue?

[Paslaru] Our choice is to bring about the mechanisms of a market economy, but necessarily in parallel with real social safeguards.

[Sandu] I have read in the press the surprising news that President Ion Iliescu will replace the current government with one in which Petre Roman's party will participate, and perhaps even that of Dinu Patriciu. Is there any shred of truth in this or does this fall into that category of "distortions" you spoke of at the beginning of our discussions?

[Paslaru] Political activity is always a world of surprises! Personally though, I doubt that President Iliescu would opt for a reintroduction of the Roman formula because that proved catastrophic during the period he led the government. From the political perspective, such an alliance is out of the question because the Democratic Party (the former National Salvation Front) intends to form an alliance, perhaps even a merger, with the PL [Liberal Party] and the PAC [Civic Alliance Party] even though it claims to be social-democrat. This idea even may have come from Roman himself: Blocked in his overtures to the Democratic Convention, he realizes that he cannot return to lead the executive branch except alongside the person whom just yesterday he was calling "communist," "bolshevik," "gorbachev" and so on.

[Sandu] Thank you.

### **Committee To Oversee Foreign Trade Loans**

93BA1167A Bucharest ADEVARUL in Romanian 15  
Jun 93 p 1

[Interview with Mihai Ioan Popa, state secretary in the Ministry of Finance and president of the Interministerial Committee for Securities and Loans for Foreign Trade, by Mihai Ionescu; place and date not given: "The Government Is Jeopardizing the Country's Budget"]

[Text] [Ionescu] What is this interministerial committee?

[Popa] In the majority of countries with a modern economy, during the postwar period the state intensified its support in the direction of stimulating production for export. Especially over the last 20 years, interministerial decisionmaking and institutional systems have been developed through which the state intervenes in support of the

risks associated with export loans and the costs for financing and refinancing these loans. Such institutions operate with good results in France, Germany, Belgium, Denmark, Italy, Holland, Great Britain, Turkey and so forth.

[Ionescu] Why was it necessary to establish such a committee in Romania?

[Popa] Everyone knows that the Romanian economy crashed after the revolution. The reasons for this are diverse, and I will not go into details. However, one of the causes was, certainly, the lack of financial resources, resources "strangled" by the general economic bottleneck, for the businesses having a capacity to make exports. Precisely for that reason, there was need for intervention by the state, which could help with the financing, guaranteeing, and provision of export loans, in the name of, and on the state's account, both for state-funded and privately funded commercial companies.

[Ionescu] What type of finance projects are you talking about?

[Popa] The committee gives assistance to those projects that contribute to the updating of technologies at certain production facilities that provide for the development of export production, in a nondiscriminatory fashion both in the state sector and the private sector. The basic criterion for evaluating these projects is the ability of these companies to repay the state-guaranteed loans through their own export sales. Thus, procedures and instruments were designed and applied to guarantee Romanian exports of machinery and equipment and the construction of projects abroad.

[Ionescu] Have you started these activities?

[Popa] Just over the past several months. Guarantees have already been granted to import equipment for nine commercial companies, totalling approximately \$200 million, from the chemical and food industries, for the Brasov "Tractorul" Factory, the Galati Steel Combine, the radio-telecommunications system, the Autonomous Lignite Production enterprise in Targu Jiu, and so forth. Similarly, guarantees were granted for exports from the Arad Railcar Factory, the Tomistone SRL in Constanta for the import of equipment necessary for the production of composite-stone panels, and for Bucharest "Contransimex" for the construction of roads. Something new: Through this same interministerial committee we have also put into use a mechanism to assist exports by way of supporting and stabilizing export loan interest rates for the delivery of machinery, equipment, and installations, as well as the building of complex projects abroad, within the framework of certain agreements concluded by Romania with other countries.

[Ionescu] What are your priorities for the coming period?

[Popa] In addition to granting incentives to stabilize the export loan interest rates, we will further encourage those restructuring projects whose importing of technology will increase Romanian industry's export capacity. At the same time, in the area of guaranteeing loans we will pursue a

sector-by-sector approach to the development of exports in certain branches and subbranches of the economy, as a component of the government program, including: the shipbuilding industry, the food industry, the wood-finishing industry, the energy sector, transportation, and so forth.

### **Excessive Hard-Currency Deposits in Foreign Banks**

93BA1167C Bucharest ADEVARUL in Romanian 16  
Jun 93 pp 1-2

[Article by Constantin Priescu: "Half of the Country's Hard Currency in Foreign Banks"]

[Text] "Among the many problems facing us," noted Trade Minister Constantin Teculescu at his recent press conference, "there is also, lately, the phenomenon of some exporters depositing hard currency in foreign banks." This statement caught everyone by surprise, including Mr. Teculescu, who, when asked to offer explanations, tried to avoid the answers. Finally, by way of information provided by some of the minister's colleagues, a picture was put together of an extremely dangerous situation.

What exactly are we talking about? "We do not have all the data," said one of the minister's counselors. But, without a doubt, the fact is that a phenomenon has appeared involving the "flight" of hard currency from the country. Anyone comparing the amount of hard currency declared by producers in their hard currency earnings reports and the actual amounts that are going into Romanian banks will easily find this "flight" phenomenon.

Once onto this path of transparency, the specific data also appeared. The minister referred to the situation in November 1992, when, during an analysis of this situation, it was noted that there was a hard currency deficit in Romanian banks compared to hard currency earnings reports of nearly \$100 million. At that time, the government asked the banks to draw up standards and precise penalties with regard to the disruption of the normal flow of the country's hard currency. These were drawn up, but their effect has been extremely inferior.

From the same press conference, I remembered that the statistical data recorded by the banks during the first quarter of this year, regarding the return of hard currency earned from exports to accounts in Romanian banks, are twice as alarming. This is so, first of all, because they reveal that Romanian exporters have deposited during this period nearly 50 percent of their hard currency earnings in foreign banks. Second, this reconfirms the fact that the system of incentives and penalties practiced by banks in Romania is inoperative in both aspects. We are not saying that the coercive system should dominate in the system of incentives for exporters to make deposits of hard currency earnings in Romanian banks. But the minister of trade pointed out that "neither national laws nor the banking system can be indifferent to the manner in which the hard currencies from these countries is flowing abroad. And, here in Romania, the harshest penalty for not bringing this hard currency back into our country is being raised to 1

million lei, or the equivalent of something over \$1,000. This means that someone holding several tens of thousands of dollars in a foreign bank can recover from such a penalty just through the loss of a minimum part of a commission. And not even an entire commission at that."

In all the surrounding countries—reference was made to the example of the Czech Republic, which levies a penalty of \$35,000 on producers that do not return hard currency on a timely basis—the standards issued by the banks are much more strict and more categorical than those in Romania. And, the results of bringing the full amount of hard currency into the national economy are clearly superior. The continuing absence of such clear, tough standards can cause us great surprises. For example, during the first five months of this year (except April) statistics note a month-to-month growth in the volume of exports compared to the previous period. Despite this, the net amount of hard currency coming into the country through Romanian banks is not even close to matching the referenced growth. No matter how much the "currency game" is played on the international market, it cannot explain the hard currency deficit felt by the Romanian banks, except by the ever more accentuated "flight" of hard currency from the country.

What needs to be done? Nothing more than what others are doing who have overcome and are overcoming obstacles identical to ours

### **\* Credit Bank President Discusses Recent Problems**

93BA1179A Bucharest LIBERTATEA in Romanian 18  
Jun 93 p 2

[Interview with Alexandru Dinulescu, president of the Cooperative Credit Bank, SA Bankcoop, by Vasile Apolozan; place and date not given: "Is Bankcoop Hindering or Helping?"]

[Text] [Apolozan] Mr. President, where does Bankcoop fit within the Romanian banking system?

[Dinulescu] The Cooperative Credit Bank SA, known as Bankcoop, is a private capital—that is, private—bank, which began operating in 1991. Through its profile, activities, and role, Bankcoop is a privatization bank that addresses itself to small and medium-sized private enterprises in cities and villages. It came into being together with the private sector in Romania, and is one of the most powerful private economic agents in the country, with domestic capital.

In two and one-half years, our bank has created an infrastructure of 133 operating banking units that provide banking services to more than 85,000 customers throughout the country

It made a profit during its first year of activity; last year, it had a balance of over 86 billion lei, with a profit of nearly 4.5 billion lei, and it formed a venture fund of 1.2 billion lei with a reserve fund of 1.1 billion lei; it bought the offices of

more than three-quarters of the units in which it conducts its activities, and issued shareholder dividends of 40 percent for a total of 2.5 billion lei.

During this year, we estimate a balance of over 150 billion lei, more than 100,000 customers, and a much higher profit than in 1992, which will allow us to pay shareholder dividends of at least 50 percent.

These results and future prospects allow us to say that we are first private capital bank in the Romanian banking system, and that we have the third or fourth largest network and the fifth largest volume of activity among all the country's banks.

[Apolozan] The results and prospects you present are very good, but signals in the press indicate that Bankcoop also has some problems....

[Dinulescu] The results of our activities have been published. Documents to confirm these statements are available for all those who can and know how to read them. We have been examined by a team of foreign specialists who have followed all our activities, and especially the large credit files. We currently are about to be examined by another team of foreign specialists. The results are known, and future ones will similarly be placed at the disposal of those who are interested. Until now, the bank has had no problems. Of the more than 200 billion in extended credit, the current total is about 70 billion, which represents a very good repayment rate in two and one-half years. A calculation of daily liquidity shows it to be better than 40 percent, and a calculation of guarantees yields a risk coefficient greater than 12 percent compared to the 8 percent accepted by bank estimates; both of these are very good, and I find it very difficult to believe that similar indicators can also be presented by other banks in Romania. The volume of uncovered checks at Bankcoop is of several tens of millions, compared to 30-40 billion for the economy as a whole. The shares are fully disbursed, the results show that all employees, together with management have discharged their responsibilities, and in the problems of our bank's activities there has been no case qualifying for penal laws.

[Apolozan] Nevertheless, could you please comment on some of the points recently raised by the press, such as: the arrest of a unit director, an audit performed by National Bank agents, the credit accepted for an arrested business owner, or the prevention of information disclosure. How do you feel about these?

[Dinulescu] The director of the Constanta branch is being questioned for an activity that he conducted not as an employee of the bank. The investigation will show whether or not he is guilty, and we should not prejudge the matter. Employees are personally responsible for activities conducted outside the bank. Until the matter is cleared, he is suspended from his functions.

The audit mentioned by the press covered June-August 1992, and is not the one that was published. What was probably published is an internal National Bank document based on the audit, and unknown to anyone at Bankcoop.

Some of the questions uncovered by the audit were clarified by another audit or removed.

Ours is a private bank in which assumed obligations are what counts and which does not become involved in the procedural questions of other institutions. On the basis of a contract, under legal conditions, with covering guarantees, it extended credit to an economic entity whose owner was arrested. Under the prevailing regulations, which do not provide that businesses will be shut down or that contract provisions will not be honored when an owner is arrested, and through the extended credit, the bank has allowed the credited commercial operation to be finalized, which if stopped could create losses for the bank, and ultimately the financial credit was not increased in any way, since it was recovered from the main company on the same day.

To respond to the last matter you mentioned, I want to clarify one point. A bank is not only a money handler; it is a keeper of secrets, secrets of its customers, undertaking an obligation to protect them as its most valuable asset. In final analysis, this is "customer trust," which we negotiate with no one. This does not mean that we prevent investigative agencies from doing their duty.

[Apolozan] Are you bothered by some of the opinions published in the press?

[Dinulescu] We are disturbed that some papers said things about us without any basis in fact, but I am glad that many of those with whom we have come in contact after the articles, most of them customers with good judgment, have condemned the attacks against Bankcoop. As people familiar with the bank, they cannot accept what is being written about us. What is more, even though we have been the object of bad publicity, we have become even better known. Many have wondered who Bankcoop is, and have learned good things. The matter of providing information while protecting customer secrets has brought us many positive comments, and I could even say that we would not have dared to publish such advertisements.

In closing, I want to emphasize that Bankcoop is an institution, not just one or two people; it represents more than 2,500 employees, dedicated to the proposition that privatization is worth working and struggling for. It is a bank that has assumed the risk of demonstrating with domestic resources that it can participate in the achievement of a new economy in Romania.

#### **\* Accounting Oversight Commission Established**

93BA1179B Bucharest *TINERETUL LIBER* in  
Romanian 24 May 93 p 4

[Interview with Victor Munteanu, secretary general of the Romanian Group of Accounting Experts and Certified Accountants, by Vasile Ionascu; place and date not given: "Audits Will be Conducted in the Romanian Market Economy (II)"]

[Text] [Ionascu] There are very serious problems with multiple repercussions in assuring state income. Why then have regulatory measures been so delayed?

[Munteanu] Many attempts have been made to create a regulatory act in this respect, but it has been very difficult. The draft law has finally reached Parliament and we hope it will be dealt with on a priority basis. Despite this, effective measures have been taken in specific instances. Thus, with the approval of the Ministry of Finance, and aware of the negative effects of the delays, we created the Romanian Group of Accounting Experts and Certified Accountants, a nongovernmental, nonprofit professional organization, whose role is to support the organization of modern financial-accounting activities in all their complexity.

[Ionascu] Do such professional organizations exist in other countries?

[Munteanu] The profession of free-lance accounting expert and certified accountant is organized in all countries with a market economy. In France, this organization is called the Order of Accounting Experts and Certified Accountants. Moreover, Romania has an old tradition in this field: an organization called the Group of Certified Accountants and Accounting Experts operated here until 1957. At that time, Romania produced accounting experts of international caliber.

[Ionascu] In what does the present Romanian Group of Accounting Experts and Certified Accountants consist?

[Munteanu] We are organized centrally and with county branches. At the core, the Group is managed by the Group's National Conference and Superior Council, which operates the National Discipline Commission, the National Registry Council, and activity commissions: accreditation as accounting expert and certified accountant; methodology; regulations; professional training; examiner activities; fiscal assessment; feasibility studies; supervision of professional conduct. Actual management is provided by the secretary general appointed by the Group's Superior Council. At the branch level, management is provided by the General Assembly, the branch management council, which operates the County Discipline Commission, the County Registry Council, and activities commissions.

[Ionascu] What are the actual functions of the Romanian Group of Accounting Experts and Certified Accountants?

[Munteanu] The Group acts to support the more than 5,000 accounting experts (enrolment in the Group's Registry is underway) in legislating and creating once more a free-lance profession of accounting expert and certified accountant in our country, which under the qualified control of authorized persons and state organizations, will work under contract to diagnose, analyze, and forecast business activities, to prepare summary documents, to verify and certify these documents, to evaluate assets and contributions, to conduct feasibility studies, to maintain business accounts, and so on.

The first major effort is to train accounting experts and accountants in the Group to learn and implement the new accounting system that will be adopted on 1 January 1994. University professors and advanced specialists in the Ministry of Finance and in the Group fully support the professional training and specialization in the fields of new

accounting and assessment. In addition to providing support in the professional training and specialization of its members, the Group also fulfills other functions, such as:

- Organizing the lists of accounting experts, certified accountants, and specialized commercial organizations by enrolling them into the Group Registry.
- Formulating and publishing regulations and standards for the professional activity and ethical conduct of the Group's members.
- Protecting the prestige and professional independence of the members in their relations with the public, specialized organizations, and other physical or legal entities.
- Editing specialized publications (Nos. 1 and 2 of the magazine EXPERTIZA CONTABILA have already been published in 1993).
- Collaborating with similar professional organizations abroad.

### Struggle for Control of Privatization Process

93BA1167B Bucharest ADEVARUL in Romanian 17  
Jun 93 p 1

[Article by Alin Teodor Ciocarlie: "Privatization at the Time of Struggle for Power"]

[Text] What we called last week "a violent attack against the government" on the part of the president of the State Property Fund's administrative council, only confirms the view of the newspaper ADEVARUL expressed many times from the beginning of this year: The economic reform process is dominated by obvious hesitation and confusion. Even worse, this can also be seen in the highest circles of the government, casting doubt on the political will to continue the transition towards a free economy.

As can be seen in the statements made by FDSN [Democratic National Salvation Front] Senator Emil Dima, president of the FPS [State Property Fund], a powerful conflict of interests is taking shape in the coordination of the privatization process. On one side is the FPS, backed up by the five Private Property Funds (the FPP), and on the other side is the government. Right now, the legal framework defined in Law No. 58/1991 on Privatization, gives the decisive role to the state and private property funds: They are the stockholders of the state-funded commercial companies, and, as a consequence, they decide the destiny of these companies. Nonetheless, the National Agency for Privatization (the ANP) retains the role to coordinate, guide, and review that is too little defined by this law. Certainly, there is now an intense struggle for the leadership of privatization. This struggle is also helped by the authority vacuum which, until recently, accompanied the process, thus sanctioning one of the greatest flaws of the Law on Privatization: a lack of reference to timeframes. This law did not outline either timeframes or responsibilities for creating and starting the operations of the six funds. For that reason, a year after the naming of the first fund



administration councils and nearly two years after the promulgation of the law, neither the institutions nor the results can be commended.

Although the law sought to place maximum limits on the politicization of this process, the political factor has been seriously felt through the "changeover of personnel" in the fund administration councils. The fact that the attack against the opposite camp was initiated by the FPS does not automatically mean that right is on its side. Nine months after its establishment, the FPS is not convincing that it can play a decisive role: Its own administrative structure is staffed by only a few dozen people; it has privatized only 44 small companies by selling these companies to their own employees; and attacking the problems of restructuring companies prior to privatization, a process of overwhelming importance, does not appear to be within the FPS capability in the near future.

The assistance received by the FPS from the other state institutions was not very significant. On the contrary, we are actually witnessing a veritable dissolution of forces. In all the economic ministries and in the departments within the Ministry of Industry, there are directorates for privatization which are persistently searching for something to do. The ANP, deprived of many experts who had been brought together with difficulty, but who were easily attracted by the material advantages in the private sector or by foreign consulting firms, cannot make claims of playing a significant role. Notice is now being given to the appearance of a new institution, the Agency for Restructuring, which will attempt to "make healthy" several of the industrial giants suffering from chronic inefficiency. This is probably the case because the government's "technocrat," the Council for Coordination, Strategy and Economic Reform, seems to be incapable of requiring the ministries to draw up sector-by-sector plans for implementing the much-discussed government reform strategy. As the number of institutions that will play one role or another in privatization and restructuring increases, the more diffused responsibilities will become and, implicitly, the slower progress will be. The situation seems intolerable, but it is, in fact, tolerated by the institution having the supreme role: the Parliament.

#### **\* Corruption in Zinc Export, Dump-Truck Import**

93B.11133A Bucharest ADEVARUL in Romanian 8 Jun 93 pp 1-2

[Article by Al. Gavrilescu and Dumitru Manole: "State Secrets—Transported in Luggage"]

[Text] During the month of January 1993, report No. 45028 and report No. 45029, dated 17 January 1993, informed the Romanian Ministry of the Interior regarding inefficiencies in exporting zinc-lead ore concentrates, as well as the disadvantageous importing of Caterpillar dump trucks. The investigation authorized by the General Directorate for Budget Efficiency, the General Directorate of Mining, and the Department of the Metallurgical Industry will be reported in a memorandum that will be brought to the attention of the Department of the Police within the Ministry of the Interior. This memorandum will make

criminal charges against the disastrous contracts concluded by "Rompotrol Geomin" with the Marc Rich Company. The former deputy prime minister, Mr. Gelu Voican-Voiculescu, had forwarded report number No. 662/1990 to Mr. Petre Roman, giving a favorable opinion for contracting nonferrous ore concentrates through ICE [Foreign Trade Enterprise] "Rompotrol Geomin," an action motivated by the reduced useful metal content of this ore. This misleading assertion was to be later exposed by the contract signed on 19 June 1991, by R.A.C. Deva with the Marc Rich company for 4,000 metric tons of ore, containing 30 percent zinc, 10 percent lead, and 20 grams-per-ton gold, as well as for a supplementary amount of 3,500 tons of ore concentrates delivered by Baia de Aries, with each ton containing 231 grams of silver! According to the investigations, the damages were the equivalent of 72,206,166 lei—in the case of 4,694 tons from R.A. Baia Mare—with these millions being covered by the state budget.

Inexplicably, the director of R.A. Baia Mare, Mr. Stefan Cozma, was to persevere in the export of our national income, concluding a new contract with Marc Rich—No. 190-91-14687-P26/06/1991—for the delivery of 9,500 tons of mixed ore concentrates. It should be noted that this contract made no reference to the exchange rate of the dollar, a fact that would create a loss of 14,395,745 lei, with the invoice price of the ore concentrate being pegged below actual production costs.

The sabotaging of Romania was chalked up to a lack of financial "discipline" that was "specific" to this transition period! And, with this, the so-called investigation brought down the curtain, hushing up the acts of fraud to which we referred.

In May 1993, after the newspaper ADEVARUL opened its investigation, Mr. Nicolae Dicu resigned from the SC "Sometra" Copsa Mica management council, with his decision being motivated by management's uninformed conclusion of a contract with the Marc Rich company for the processing of 30,000 tons of zinc ore concentrate from the R.A. Baia Mare mining sector, under circumstances where no governmental authority had approved such an action. Note: The value of the ore concentrate, including the budget subsidy costs, exceeded 10 billion lei. The calculations of former Minister Dicu demonstrated that Marc Rich was to reap the benefits—via the maneuvers of the resource administrators—of over 5 billion lei in subsidies! It should be noted that one ton of zinc currently costs 741,500 lei, of which 600,000 lei represents the financial costs to the state. Nothing came of the efforts of the deputy director general of R.A. Baia Mare, Mr. Nicolae Urdar, to inform the national authorities, pointing out to them the fact that Romania is importing significant amounts of lead and zinc, with there being sufficient data to do price analyses and without relying upon "companies that are corrupt in business and in morals, such as Marc Rich" (quoted from Nicolae Urdar).

One can see just how abusive and damaging to Romania's economic security the activities of these high officials within the hierarchy of the department have proven to be

by looking at the visit to France made by the delegation headed by Mr. Costica Soare, a state secretary, during the period 22-29 September 1991. It is known that during that time the aircraft carrying the delegation was barely able to lift off because of the weight of the special luggage filled with documents about the country's macroeconomy and about the characteristics of the mining industry. Through the "careful" efforts of these high state officials, these documents were to return to their native country under the labels of foreign companies as feasibility studies valued at FFfr16 million, a sum that had to be paid by Romania. In 1993, we do not know what causal link can be established with the fact that Mr. Valeriu Popescu, the director of international affairs within the Mining and Geology Industry, permanently stayed behind in France. How mysterious also is the gesture of another member of this delegation, Mr. Valer Almasan, the former director general

of R.A.C. Deva. Almasan directed (in No. 85/31 March 1992) that his son, R. Almasan, who had been employed for only two weeks at his father's institute, be sent for nine months of training at the French Advanced National School for Industrial Technology! Only now do we understand Mr. Costica Soare's desperate attempts to distort the truth, blaming Nicolae Dicu for the phantasmagoria of stocks created after 1980, as well as for being involved—imagine that—in the business with the mixed ore concentrates when Dicu was the only person who truly opposed the improprieties in the mining industry. In order to eliminate their moral conduct, Mr. Nicolae Constantinescu, the former minister of industry, found no other solution than to disestablish the department of mines, so that the conduct of this kind of grievous business would not face any kind of stumbling block.

**\* Slovak Central Bank's System, Policy Discussed**  
93CH0713A Bratislava PRAVDA in Slovak 4 Jun 93 pp  
1, 11

[Interview with Egon Hlavaty, a member of the leadership of the Economic Institute of the Slovak Academy of Sciences, by Ivan Podstupka; place and date not given: "The Currency Should Not Be a Matter of Party Politics"]

[Text] Eng. Egon Hlavaty, Dr. Sc., is a leading scientific employee of the Economic Institute of the SAV [Slovak Academy of Sciences] and a member of the SAV leadership. For almost 30 years he has been involved in the theory and practice of macroeconomics, finance, and banking. Following the post-November changes, he became the general director of the SBCS [State Bank of Czechoslovakia] center for Slovakia, and, until May of last year, he was an accredited vice governor. We spoke with him on the status and prospects of Slovak banking.

[Hlavaty] The Slovak Central Bank is only now coming into being. Practically all of the employees of the SBCS who worked on currency policies went over to the Czech National Bank. It inherited the entire organization, as well, including the personal and institutional relationships with foreign banks. Even though the Slovak central was also involved in the operations of the joint-currency institution, the dominant element in the formation of currency policies and the creation of foreign relationships was not in its jurisdiction. One should perhaps say that, even in the preceding period, certain steps were taken in the operations of the center for Slovakia so that the center would, if necessary, take over the role of an independent-currency center.

[Podstupka] The central bank is the core of the banking system. Economic growth depends to a large degree on its relationship to the commercial banks. Which model do you consider the most suitable for today's conditions of the transformation?

[Hlavaty] What is true of the central bank is certainly true for the banking system as a whole. Even though in the recent period new banks have begun to start up and to grow stronger, the decisive weight still consists of a few commercial banks. The structure of a banking system, particularly regional and specialized banks, is only beginning to be formed.

[Podstupka] Would rapid administrative actions to get rid of the historical monopolistic positions not help?

[Hlavaty] Breaking up the monopolies through administrative action is not suitable. It must take place through a natural process of creating and developing new monetary institutions. Each bank should have a specific position in the system. The central bank will be responsible for the development and stability of the currency and, therefore, must have the possibility of certain measures it can take in regard to the commercial banks. That does not, however, include the right to enter into the sphere of activities of the

commercial banks—that is, into business operations. The currency policy must rest on what joins the banks together. The commercial banks should understand that the currency actions directed at currency stability are in the interest of the functioning of banking as such. Sometimes the interest of the central bank and the commercial banks are judged just from their own narrow points of view.

[Podstupka] Do you mean by that that the central bank protects the currency and limits the extent of credit, while commercial banks strive for a greater expansion of credit?

[Hlavaty] Yes, in the end every bank has an interest in growth, in expanding its operations. The unlimited issuing of credit would indeed mean the expansion of the commercial banks' activities, but it would also mean inflation and undermining their own base. Under today's conditions, the central bank will have to pursue two goals. The first is stabilization of the currency, and the second is credit support for revitalizing the economy. These are complex tasks because it is not possible to perform them one after the other; rather, they must be done simultaneously, and both processes should overlap. Emphasis must be placed on a thoroughly selective policy of the commercial banks, and it will be necessary to support those program actions that lead to reviving the economy. The central bank should use its issuing policy to give preference to credit activity, in particular in support of exports; to privatization not only of small, but also of medium-sized enterprises; to the support of agriculture; and, what is very important, to modern, effective restructuring programs. An anti-inflationary policy should be applied, but that cannot mean a restrictive policy with no distinctions being made. We cannot allow a fundamentalist approach, where the central bank should only guard the quantity of money in circulation and other things do not concern it. That is a defensive policy that gives no prospects for the future. On the contrary, the central bank has the opportunity, indeed the obligation, to affect the economic processes actively. Without stabilization of the economy, it will not be possible to achieve currency stability.

[Podstupka] The transformation period is inevitably connected with a decline in production and recession. That is reflected in the budgetary management and an inevitable pressure from government on the central bank to reduce the budget deficit. That is not easy. How do you see the relationship of the central bank and the state?

[Hlavaty] The anti-inflationary policy of the central bank must relate to the financing of the state budget as well. Freeing up room to revive the economy of capable enterprises with good prospects and the support of export products require thorough budgetary management and minimizing the deficit in the state budget. It is necessary to give priority to financing that shows a return. I am in favor of issuing credits to the banks because their utilization in the economic sphere creates sources of income for the state budget as well. A rigid restrictive policy at the cost of the failure of other enterprises, 20-percent unemployment, and an overall collapse of the economy is not desirable.

[Podstupka] What degree of inflation do you consider acceptable?

[Hlavaty] Our forecasting shows that this year it should range at about 18 percent, plus or minus 2 percentage points. In conditions where a value-added tax was introduced that raised inflation in one leap, that would be a success.

[Podstupka] These days, there is a commission of the International Monetary Fund here, whose conclusions will have basic importance for our economy. The views of the Slovak national economists are quite contradictory on relations with that institute. How do you look at it?

[Hlavaty] It is certain that we should have an interest in good relations with the IMF. The motivation does not have to be just a loan for stabilization of the hard-currency reserves of the National Bank and, thus, also the balance of payments. A good result is primarily a sign of faith in Slovakia's economy and a signal for the

international financial markets, the banks, and the investors. It represents a certain moral guarantee, which means a greater possibility for credit and an influx of foreign capital.

[Podstupka] Your name has come up in recent days as one of the candidates for the position of governor of the National Bank of Slovakia. How do you explain that?

[Hlavaty] I think there are two reasons for that. That job should not be connected with any political grouping or political party. The currency belongs to everyone, and, therefore, a good currency policy cannot be either rightist or leftist. Another prerequisite is certain knowledge and experience from banking work here and abroad. A professional attitude and a capability of direct speech communications are also considered a positive factor abroad. Both requirements, which are placed on the governor of the central bank in advanced market economies, are ones I can meet, as well, and, thus, I have come under close scrutiny for the job of governor. In making a definite decision, however, they obviously will take into consideration not only those but also other circumstances.



**Justice Minister's Resignation Demanded***93BA1163G Ljubljana SLOVENE in Slovene 15 Jun 93 p 5*

[Article by Igor Krsinar: "Rifts in the Ruling Coalition?"]

[Text] Ljubljana—The demand for discussing the responsibility of Justice Minister Miha Kozinc that was presented by the deputies from the opposition parties could also influence the mutual understanding among the coalition parties. If the deputies of Slovene Christian Democrats support Kozinc's dismissal, the relationship between the SKD and the LDS [Liberal Democratic Party] could also cool.

The first disagreements in the ruling coalition actually occurred in voting on the so-called Potrc amendment to the law on transforming the ownership of enterprises. Specifically, he proposed eliminating the provision on nullifying gratis transfers of social property to other legal persons. The amendment was supported by the ZL [United List] and LDS deputies, whereas the Christian Democrats and other parties opposed it. The representatives of the so-called left and center did not yield, however. After the State Council, in which the representatives of these parties have an absolute majority, vetoed the entire law, they even promised a constitutional lawsuit over the above-mentioned provision. The Christian Democrats did not change their minds even in the repeated vote, since they had promised before the elections that they would put an end to uncontrolled privatization.

Substantially more important will be the vote on the interpellation regarding the responsibility of Justice Minister Miha Kozinc, who is criticized by his opponents in the State Assembly for his cooperation with the State Security Service while serving as an attorney. He is consequently not suitable to be minister of justice, in the opinion of the Democrats, the People's Party, and the independent deputies' group.

We can already expect that the deputies from these parties will vote for the minister's dismissal, but it is of fundamental importance whether they will also be joined by the deputies from the SKD and SDSS [Social Democratic Party of Slovenia], with which the LDS is in a coalition. If that happens, the LDS could return the Christian Democrats' "favor" and support an interpellation on the responsibility of one of the SKD or SDSS ministers, if some "opposition" party proposed it. The criticisms of the work of the foreign and defense ministers from Slovene National Party leader Zmago Jelencic, in fact, are well known. In that case, the coalition would also be finished.

In any case, it is not long until the session of the State Assembly, but the SKD and SDSS deputies have not yet decided how they will vote. SKD chief secretary Edvard Stanic said that the party would adopt its final position this Thursday, when it studies certain facts about Kozinc's collaboration with the State Security Service. The final decision, however, will be up to the deputies, who are responsible to their voters, according to the constitution. SDSS chief secretary Branko Grims also said that the party

would only decide on this just before the vote, and consequently it is still too early for a final prediction of the outcome of the vote. Minister Kozinc's seat will thus be shaken, at any rate.

**Central Bank Shows Profit in 1991, 1992***93BA1135B Ljubljana DELO in Slovene 11 Jun 93 p 3*

[Article by Franci Dovec: "Through Intelligent Investment of Foreign Exchange Reserves, the Bank Earned a Profit"]

[Text] In 1991, the Bank of Slovenia earned 158 million tolar, and in 1992, 3.5 billion tolar in profits, they will be allocated for the budget; discussion about a proposal for issuing a law on the securities market.

Ljubljana, 10 Jun—The Bank of Slovenia has done excellent work in Slovenia's monetary independence and in the promotion of Slovene money. That conclusion, among other things, was adopted at a meeting of the State Assembly's committee on finances and credit-monetary policy, when it discussed the bank's annual report for 1991 and 1992, and the distribution of that institution's profits during those years, and also approved it without major comments.

After all the complications that the Bank of Slovenia had to face before and after independence, both with respect to the authorities in Belgrade and the international public and various financial and other institutions, it is actually not particularly surprising that the members of this committee only discussed the bank's annual report for 1991 today. In spite of the difficult situation in which it operated, it earned a profit of 158 million tolar, which will be distributed to the Slovene budget by a decree from the State Assembly. In the same way as for 1991, last year's profit (3.5 billion tolar) will also be allocated for the budget, with 100 million of it being forwarded to the transfer account of the Agency for the Rehabilitation of Banks and Savings Banks. Of course, the committee members were primarily interested in where the Bank of Slovenia obtained such a high profit. Dr. France Arhar, governor of the Bank of Slovenia, explained that they achieved it by investing the foreign exchange reserves in foreign banks, and part of the surplus also comes the treasury notes issued (570 million German marks' worth were issued). According to him, in their management of money and treasury notes it is of vital importance that investments, earn interest at a positive rate. Of course, according to him the Bank of Slovenia's basic mission is to preserve the stability of the domestic currency, and among other things, to bring about a reduction in interest rates. Thus, in May, by intervening in the financial market it succeeded in reducing the discount rate to 18 percent, and their efforts will also be aimed in that direction in the future. The committee members completely agreed with that policy of Dr. Arhar's, but they also posed the question of whether it was true that the bank was forwarding its anticipated profits to the budget in the form of advances. In this regard, Arhar said that in the past they had done so, and explained that there were no regulations at all regarding this. In his opinion, advance payment of the profits is not his institution's goal, since it continually

needs money to maintain the domestic currency's stability. If that money were already forwarded to the budget during the year, the bank would have substantially less ability to intervene in the money market. In that case, at the same time as it forwarded the advance, it would also have to take an equal amount of money out of circulation.

At today's meeting, there was also a discussion of a proposal for issuing a law on the securities market, with a draft law. Drago Kolman from the Ministry of Finance, which proposed the law, said in this regard that the essence of this law was regulation of the securities market. In his opinion that market is unregulated here, complicated, and impossible to control now. It is also necessary to regulate in the future the status of invisible securities (trading securities through computers). Those present thought that with this method of trading, which is otherwise more secure than the transfer of large amounts of securities and also cheaper, regulating and controlling the traffic in those securities was of fundamental importance. In this regard some people commented that the transfer from so-called hard-copy documents to the computerized method of trading should be regulated by a separate law. The basic question in this method of trading is how to prevent the abuse of information, since, for instance, people who had access to the information could earn a great deal of money on that basis.

#### **Italian, Austrian Firms Compete for Slovene Market**

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[Article by Boris Suligoi: "Cheaper Than Abroad"]

[Text] *Merchants are importing products from Italy and Austria on a large scale; customers no longer need to cross the border, Slovenia has been divided up, but domestic producers are only waiting.*

Koper, 15 Jun—In coastal shops, one can observe more goods imported from Italy every month. Obviously the imports are profitable for the merchants, and the customers, who have been saved many trips across the border, are also satisfied. The flood of European goods represents an increasingly bigger challenge for Slovenia, however.

Almost a week does not go by without new shops being opened on the coast. The last one was opened a few days ago in Piran, and almost exclusively Italian shoes are sold in it. A shop with Italian vegetables will already be open tomorrow elsewhere, along with a boutique with Italian designer clothes, a drug store with detergents from Italy, etc. There is also no shortage of Italian goods in the largest stores on the coast. With every day that goes by there is more of everything, from spaghetti to cookies and ice cream, which we have a great deal of in Slovenia (since in many places people do not know what to do with their milk). For all sorts of purchases, coastal residents no longer need to go to Trieste, Milje, or Gorizia. In spite of customs duties and transportation costs, some Italian products can even be bought more cheaply in Slovenia than in Italy.

It has been observed at the Skofja border crossing that primarily small merchants are importing more and more goods intended for trade. In the month of May alone the number of import declarations issued here for commercial goods doubled in comparison with April. During the first five months of this year 7,000 import declarations were issued, but last year only 4,000 for the entire year. Automobiles partly contributed to that volume of imports, but customs officials are also registering all sorts of other goods—from vegetables, blue jeans and shoes, to underwear and household appliances. An average of 90 declarations are written daily. Only a third of the imported goods are raw materials and semifinished products that would be needed by entrepreneurs and craftsmen in their work. It seems that it is now much more profitable to trade than to manufacture new products.

It has been observed at the Lucija trade enterprise Degro that people are buying primarily the goods for which they could see advertisements several times a day on any of the numerous Italian television stations. The taste of coastal residents is also allegedly similar to the taste of people in Italy. They thus actually have no difficulty in selling Italian products. If there are two similar products on a store shelf, Austrian and Italian, the Italian one will go soon, and customers are more reserved about the Austrian one, regardless of quality. "The situation is probably completely different in Styrian stores, where they are more used to Austrian products and it is hard for people to get Italian products," thought Miro Milavec of Degro, who noted that in a way Austria and Italy had already divided up the Slovene market. Some Italian producers (for example ice cream producers) are already printing packages with Slovene labels. That means that they are counting on a long-term presence in the Slovene market.

Even Slovene merchants whose business with imported goods is flourishing as it has not for a long time are already wondering whether such a liberalization of trade is sensible. Foreign producers soon determined that Slovenia was a new and interesting market. We in Slovenia are so awkward that we did not even know enough to insist on linked trade. If we are already importing a certain good, why not demand exports of another good from Slovenia? Austrians and Italians are thus selling milk products in the Slovene market without any restraint, but when Slovenia wants to export milk or milk products to Italy, it encounters an impenetrable wall.

Much more acceptable is the business that has been established by Medex and the Italian Crich, which will soon open a production shop to bake cookies according to Italian recipes.

Slovenia has thus ended up in the cold air of European competition. That cold air does not mean only difficulties for Slovenes. Confidence in our own trade is gradually growing. In that way a realization may soon develop that it is inadvisable to travel to Italy or Austria for every trifle. It is completely logical that in the modern developed world the goods seek a buyer, and thus the mountain comes to Mohammed. It is also necessary to face competition in the domestic market, if one wants to be at the European level.

## Federal

### Jovanovic on Changing International View of Bosnia

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[Interview with Foreign Minister Vladislav Jovanovic by Zoran Jevdjovic in Belgrade on 4 July—recorded]

[Excerpts] [Jevdjovic] As you have seen in the announcement, our guest tonight in the Conversation With a Reason program is Vladislav Jovanovic, FRY foreign minister and deputy prime minister. We are glad to have you in our studio this evening. The reason we have invited you for a talk is because new tones have recently emerged on the international scene regarding the Yugoslav crisis and Yugoslavia, and because there has been a series of international meetings during the last month and contacts that you have made with a series of statesmen at several international conferences.

Can you tell us first how you see the current situation and the changes concerning the Yugoslav crisis in general and our FRY?

[Jovanovic] As everyone knows, the essence of our Yugoslav problem was and is the crisis in Bosnia. As long as that crisis remained unclear and the real participants in that war were not discerned, we were the ones paying the price as the side that had to accept the odium of the resistance by the international community toward that crisis. Now that the fog is clearing and the mountaintops can be seen, it has become very clear that the war in Bosnia is a classic example of an interethnic and civil war. Nobody can deny that now—not the participants or the foreign countries or even those who support the leader of the Muslim people, Mr. Izetbegovic, in his efforts to bring around an international military intervention.

On the other hand, Yugoslavia, which has been saying all along that it is not involved and that it is in effect the greatest victim of this war, is suddenly treated with a different [pauses] even with respect, I would say, in view of the fact that it has suffered the most in all of this. On the other hand, it has been the most persistent in the defense of the principle, both in solving the crisis and the defense of the truth about the crisis. Now we have a large development in solving the crisis, which, in the concept, approach, and even aim, is very closely approaching the view that prevailed before the outbreak of the war in Bosnia, as envisaged in the principles set down by Ambassador Cutilheiro [international mediator of March 1992 talks in Lisbon]. If the international community and the three nations had accepted the formula of a tripartite Bosnia then, the war would have been avoided, sanctions would have been avoided, and Yugoslavia would not have been nailed unjustly to the pillar of shame.

[Jevdjovic] Who was the one who did not accept it then?

[Jovanovic] One of the participants, Mr. Izetbegovic, proclaimed his agreement null and void later and remained

unpunished. On the contrary, he was rewarded as soon as Bosnia was internationally recognized, which was probably a part of the plan—the plan that was not only Izetbegovic's but also of those who supported him. That is where the essential responsibility lies in the international community, which, even though it hides behind the principle of democracy—that is, the rule of the majority—did not respect in this case the fact that two out of the three constituent nations, who also represented the majority in Bosnia, were absolutely in favor of a tripartite Bosnia. Eventually the third nation accepted it but then suddenly pulled back.

Still, what happened happened. History will have more to say about it; it will judge. We are now witnessing a huge effort with great expectations and justified assessment that the war in Bosnia is coming to an end and that we will be able to welcome an overall political solution before too long. It is inspired by the solution that the international community failed to not only support but also insist upon a year ago. It is now only different in name, a confederal type instead of a canton one, but in any case the tripartite formula is the one that best reflects the fact that three constituent nations live on that territory and that nothing can be achieved long-term there without their consensus.

The progress in Geneva is largely the result of our efforts, initiatives, and encouragements of others, so that the peace process, which entered a crisis at one point, was suddenly revived and has become for the first time after a year a realistic peace process. Up until now, it was more imposed, more of a peace process that would suit the projection of the wishes of other, perhaps foreign interests in that former Yugoslav Republic. This time it suits reality best—that is, the interests and relations of the people who live...

[Jevdjovic, interrupting] If I can interrupt you, you have said that it was to a large extent the result of our efforts, of our Yugoslav diplomacy. How does that coincide with the interests of the dominant European and world factors at the moment, those factors that have now accepted some basic elements that Yugoslavia has been presenting during the period of the disintegration of the former SFRY?

[Jovanovic] A year is a long time in politics, and it is enough for everyone to return to the facts—that is, realities of life. Foreign interests have been trying for a year to force a solution that would suit them in particular—that is, a solution that would mean the rejection of the basic legitimate rights of the Serbian people in Bosnia-Herzegovina. Since none of that happened, and since it became pointless to wait for an artificial solution to be imposed without some serious risks and difficulties, everyone started supporting facts and realizing and accepting the fact that there can be no lasting and just solution unless it is based on the fundamental fact that three constituent nations live there and that all that can be achieved there as a political solution can and must be done through a consensus, or rather, agreed upon by them.

We have done nothing but strengthened those principles and reminded the international community—at a time when it was losing its breath and strength to force a different solution—that if peace and the end of the crisis

were to be near, all that need be done is to respect all three nations equally and that the political solution should reflect their legitimate interests equally or almost equally. By initiating that concept, even influencing its form, we have tried very hard to make the solution equal for all three nations. Therefore, the Muslim people, which have been deceived by the war cry of its fundamentalist leadership, are not to be blamed for that and should not be punished. They should find their adequate living space in this.

Finally, a confederal Bosnia is not the end of Bosnia as a state. On the contrary, that is the only way to ensure its continuity and at the same time ensure its links and cooperation with neighboring countries. In that sense, Yugoslavia is open to the establishment of the widest form of cooperation with such a confederal Bosnia and not only with its Serbian part. That is why there is no ground for fears that the Muslim part of Bosnia, the Muslim state in Bosnia, would be a ghetto or cut off from the world.

[Jevdjovic] What are your impressions, if I may ask... [pauses] I have already said that you have had a series of contacts on the international level during the past month and that our diplomatic activities are now much more intense than they were last year—earlier, not so much through any fault of ours as much as by an imposed attitude by some of the Western countries—but in any case you have had a series of talks, for example in Crans Montana [in western Switzerland], at the so-called economic forum, which gathered many well-known statesmen of the world, many leaders, then you traveled to Russia. [sentence as heard] What were your experiences with both and the direct contacts with people who significantly influence the fate of the Yugoslav crisis and our own?

[Jovanovic] Well, you see, isolation like cooperation has two sides; it is a two-way process. You cannot isolate someone without isolating yourself. Since the issue was the solution to the Yugoslav crisis, it was absurd, artificial, unnatural, and counterproductive to try and isolate Yugoslavia. The others have finally started to see that, and that is why Yugoslavia is being sought now and accepted and respected as a partner in solving the crisis and not as a prosecuted side or some sort of an adversary to the peace process.

This was reflected in the work of the forum in Crans Montana, which was very visible and was dedicated to economic relations and the perspective of cooperation in Europe in the post Cold War period, as well as the perspective of solving the Yugoslav crisis.

[Jevdjovic] You were invited as the Yugoslav minister?

[Jovanovic] Yes, that was the second time that I participated in the work of this forum. The first time was in Athens at the end of last year, and this was, by the way, the second conference held by this forum. It is relatively new and it should be a substitute for the forum that is regularly held in (?Dallas). In any case, we had a chance there to not only present our views concerning the crisis, ways of solving it, sanctions, and violations of human rights that the sanctions in themselves, and with their consequences,

represent, but to also use these informal contacts with political leaders from a series of countries to discuss the crisis and our relations. We had a chance to meet [Romanian] President Iliescu; Czech Prime Minister Klaus; the Hungarian finance minister [Ivan Szabo]; Peter Jankowitsch, the former Austrian minister and currently head of the socialist's group of deputies in the European Parliament; former Soviet President Mikhail Gorbachev; Slovak Foreign Minister Moravcik; former French Foreign Minister Dumas, who is now adviser to President Mitterrand; (?De Balse), foreign policy adviser to President Mitterrand, who was at one time one of the two assistants to Lord Carrington at the Conference on Yugoslavia; with Glazyev, the Russian minister for foreign economic relations; Ukraine Deputy Foreign Minister (?Sabolyev); the EFTA secretary general; an Austrian diplomat, and many others with whom the meetings were somewhat shorter and, therefore, did not allow lengthy discussions about these issues.

[Jevdjovic] Could you draw one common conclusion from these contacts?

[Jovanovic] The conclusion forces itself. No one denied but, on the contrary, everyone accepted with understanding, approval, and encouragement our assessment of the latest developments in the crisis in Bosnia-Herzegovina, the innovations in the peace process, and the peace formula that should satisfy all sides and halt the war. Absolute understanding was also expressed for our view that the sanctions, because of a series of circumstances, have lost any purpose and that it is absurd, not only unjust, that it is ridiculous even to keep insisting on their imposition. Of course, not all countries are in the same position to accept our initiatives and proposals for their lifting—that is, their freezing while the peace process is under way—but they all accepted that the sanctions most certainly have to be lifted once peace is achieved and the political agreement has begun to be implemented in Bosnia-Herzegovina.

There are countries that absolutely agreed with us and insisted that it is vital that the sanctions be lifted immediately, since it has become more than obvious that the civil war in Bosnia is something independent of the will and influence of others and that, particularly during the last few months, when we decided to unilaterally impose absolute control over our borders, there is no room for doubt that Yugoslavia could in any way be involved in the developments in Bosnia-Herzegovina.

[Jevdjovic] That was probably after the event in Athens when Yugoslavia accepted the so-called Vance-Owen plan, which was then rejected by the decision of the Serbian republic assembly, with the explanation and demands and views of the people who are on the ground there, who have their own ideas about how relations in Bosnia-Herzegovina should be organized.

[Jovanovic] I would say that this positive drawing of attention to Yugoslavia and its contributions started even earlier, in February in Geneva when we played an important role in getting all the warring sides in Bosnia to accept the nine principles on the constitutional organization of



Bosnia and the military agreement, which later continued through Athens, Pale, and other places. That helped to shed light at long last on the fact that we are not involved, that we are not the aggressor, that we are not the country most responsible for what is happening there, and that we are no masters over our brother Serbs in Bosnia-Herzegovina. They are no one's puppets. They are the absolute masters of their own fate and they work according to their own interests, experience, and conviction as to what is the best for them. We have never done anything but support them in achieving their legitimate rights and interests, and now we are seeing the process of full acceptance of these demands of theirs and full justification of the support we have given them all along.

Therefore, there were some people we spoke to that had absolute understanding; they shared our view that the sanctions should be lifted immediately. I would even go as far to say that some statements and moves that followed Crans Montana were partly the result of those talks, since they enabled them to come into possession of more factual material. They could therefore substantiate their views that, for months, they had been manipulated quite a lot by the devilish propaganda that was directed against Yugoslavia, and that distorted the facts completely concerning the developments in Bosnia-Herzegovina. That is why it is not exaggerating to say that we are close to the end of the war.

The international community has had enough of both the crisis and the tremendous crimes that have been committed during the war, as well as this distorted picture that has been preventing the establishment of peace by now. The international community has greeted with immense relief the formula on the tripartite Bosnia, on constituency, consensus of the warring sides as the only salvaging formula, the only shortcut that leads to peace and the end to this war. In that respect, our role, persistency, and support for such a solution has been accepted as the most deserving element, if not the most important element, in the progress reached in the peace process so far.

[Jevdjovic] What are we going to do, Mr. Minister, about the countries that are of vital importance on the international scene but are still insisting on the one-sided approach about Serbia's responsibility for the disintegration of Yugoslavia and the war in Bosnia-Herzegovina? We can see that there are still some efforts by the German diplomatic corps. There was a serious attempt in Copenhagen by Chancellor Kohl with the alleged letter from the U.S. President that the arms embargo should be lifted against Bosnia-Herzegovina. Fortunately, aware of the consequences of German policy so far, the other European countries rejected that, but there have been, I would call them, provocative moves of the kind we had from Prague by the CSCE. Why is it still happening? What are the forces that are still supporting such an approach? When can we expect that to be removed from the agenda?

[Jovanovic] I could briefly say that these are the forces that link their strategic aims and interests with the total destruction of Yugoslavia, as they see that as the end to the

Yugoslav crisis. That, of course, is only wishful thinking, and it is becoming rapidly less doable. Finally, the supporters of the forceful solution to the Bosnian crisis and the internationalization of that war have suffered several considerable defeats in recent weeks. You mentioned Copenhagen, where Germany was for the first time totally isolated from its allies, but the demand for the lifting of the arms embargo also suffered a defeat in the Security Council. That only confirms the impression that the forces interested in the continuation of the war—meaning the continuation of the isolation and sanctions against Yugoslavia—are on the decline, and they have lost their momentum.

Now the approach to ending the war in Bosnia in a just and realistic way is on the rise, and it is hard to imagine that those forces would allow themselves to go on the defensive again.

[Jevdjovic] From this standpoint, if I may say, the summit in Copenhagen and the voting in the UN Security Council represent significant milestones in the Yugoslav crisis on the international political scene. Do they indicate a certain shift and improvement, at least as regards our position within this context?

[Jovanovic] Both of these events marked the defeat of the war option which is not something to be overlooked, because it had a very positive psychological effect on the Geneva process. The Bosnian Muslim side will no longer be able to find fuel in the arguments of hardliners who advocate the internationalization of war and domination of one ethnic community over others in Bosnia-Herzegovina. Therefore, realignment and changes within the Bosnian Muslim leadership could also be viewed as a result of the defeat of such a war option. Regarding their agitators and aides from abroad, they are now isolated and will most probably grow even more isolated. They have the support of the countries of the Islamic block and the CSCE as well as the international community in general. For example at the preparatory conference in Vienna, which was to secure the conditions for the calling of the first international human rights' conference, a resolution favoring lifting of the arms embargo for Bosnia was unexpectedly passed. This was done at the request and insistence of the German block of countries, primarily Austria and others. However, this relative success was then quashed in Copenhagen and New York.

[Jevdjovic] I would even go as far as to say that America, that is to say, the United States, did not insist all that convincingly on the demand for the lifting of the arms embargo, judging by development in New York.

[Jovanovic] Formally and superficially speaking, they did insist because they have their obligations toward the Islamic world, but it was evident that they did not do it very convincingly and with great enthusiasm. The impression is that they were relieved when the matter ended the way it did. They, too, have acknowledged reality. At the end of the day, President Clinton made statements that were to the advantage of peace on several occasions. First, that this was a civil war, second, that the United States had no vital interests there, and third that the United States could not

impose its will everywhere it would like to and that it must acknowledge the will and the interests of those who live on that territory but are currently divided by war. Therefore, the peace option, as I call it, is evidently gaining ground. We are very much interested in it gaining even more ground. We want the negotiations to be accelerated and lead toward a just, final, and lasting solution for the crisis in Bosnia-Herzegovina.

On the other hand, there are certain commotions within the CSCE itself, where they have also started to reexamine hitherto extremist positions....

[Jevdjovic, interrupting] Could we say that you are an expert for the CSCE because you spent many years as our representative there?

[Jovanovic] As soon as one stops doing something actively, one stops being a true expert. However, it is not difficult even for a layman to notice that these exaggerated ideas about the inevitability of Yugoslavia's total isolation, its punishment, and its tying to the pillar of shame, started to lose credibility because the truth about Bosnia has broken through. At the moment, the only true war there is going on between the Croats and the Muslims. There are some skirmishes between the Muslims and the Serbs, but they are exclusively due to the Muslims who are trying to muddle the issue and adversely influence the peace process. On the other hand nobody can any longer prove or even state that Yugoslavia is in any way involved in this war. Yugoslavia is meddling, perhaps, but only in the interest of peace, and it is receiving the support and praise of numerous countries for this kind of involvement.

Therefore, there are certain changes in the EC, the UN Security Council, and shyly but nevertheless obviously enough for the experts to notice, in the CSCE too. The group of countries militant toward Yugoslavia is narrowing. The so-called club of the friends of Bosnia used to be larger, until yesterday. The group and the other circle of countries, that is, the majority that used to willingly accept these arguments and followed the policy of isolating Yugoslavia isolation, on this occasion do not show the same enthusiasm. In our contacts with individual CSCE members, for example, in Crans Montana and elsewhere, it was clearly emphasized that these countries understand not only the absurdity but also the unscrupulousness and injustice of the decision suspending Yugoslavia from CSCE activities. At the same time, they realize that the main reason given for the suspension has simply evaporated, if it ever really existed at all. These countries are even ready to initiate their own activity within the CSCE to stimulate and accelerate the process of revision of the decision against Yugoslavia's participation in CSCE work. We hope that this will gain in momentum so that the peace process in Bosnia may progress.

[Jevdjovic] Since we have mentioned the recent events in the UN Security Council, that is, the voting on the arms embargo, tell me one thing. Everybody has noticed the fact that for the first time the positions of Russia and Russian diplomacy, and the United States were, at least officially,

on completely different sides, and the United States' position was even different to that of its European allies. You were in Russia last week, where you had numerous contacts. What are your impressions about Russia's current position toward our crisis. I would say that there were some big expectations among our people, some of them even unrealistic. Well, politics does not need to be always perfectly exact. How would you assess the current situation and attitude of Russian diplomacy toward the Yugoslav crisis? It is obvious that even in the ruling structures, but particularly in those structures where this had been noted earlier, there are certain changes in the stance toward Yugoslavia.

[Jovanovic] Russian policy toward our crisis never contained any elements of bias, prejudice, pettiness, or vengeance that were part of the positions and policies of some western countries. The Russian policy was always a policy of realism and a policy of aid to the Yugoslav republics in overcoming the crisis. The fact that Russia was not always able to be entirely its own in the defense of this stand but had to bow to majority opinion was a result of the balance of power and internal weakness that Russia has been experiencing in the transition period.

However, when the situation changed and the facts came to light, it became apparent that this western majority extremist position lost credibility and firmness. Even some Western countries are trying to distance themselves from the policy heretofore. There have been a great many statements recently by leaders of many western countries, who are even firmer in their criticism of EC policy and the international community....

[Jevdjovic, interrupting] And especially Germany?

[Jovanovic] Germany and some other countries. This is not a result of our propaganda, for which we have no talent as a country, but a result of the breakthrough of the truth which is finally coming to light. On the other hand, everybody feels that a resolution of the Yugoslav crisis is approaching, especially the end of the war in Bosnia, and they must get realigned for the second race which is even more significant for all these countries. Namely, the race to return to the market of the former Yugoslavia. With regard to this everybody has told us, especially in Crans Montana, that they count on FRY as the only truly valuable market and the only region of the former Yugoslav economic territory worth investing in and where significant projects are expected. The proximity of the comeback on the Yugoslav market is definitely influencing individual countries to accelerate their own reexamination and distance themselves from the blame for the present policy and, in a way, build a bridge of different attitudes, recognition, and dialogue toward us.

Understandably, this is only the first indication. It is still too early to make firm decisions as the situation continues to be very fragile and susceptible to turns and shifts, especially if a significant mistake is made by any side. However, generally speaking we can expect that more and

more counties will show interest for dialogue and relations with us, and to view their interests in the context of the end to the Yugoslav crisis.

[Jevdjovic] Therefore, we can view the present role of Russia within this context, too?

[Jovanovic] Russia obviously has an even more complex nature as this is a large country, and that will not change no matter what crisis. It will always be in Russia's best interest to maintain its own views about what is happening in its neighborhood. For two and a half centuries, Russia has had its interest in the commotions in the Balkans. These interests were linked to their top state and national interests. However, this is not so prominent on this occasion as it is unrealistic and too early to talk about it. What is coming to light is that it is in Russia's interest to end the war as quickly as possible and for Bosnia to stop being a source of instability and the danger of crisis spreading to nearby regions, which could endanger a large territory in some way or another. On the other hand, Russia's economic interests dictate that it liberates itself from the obligations imposed by the sanctions. Russia and Ukraine are suffering terribly because of these sanctions. For example, Ukrainian deputy foreign minister talked to me about the sanctions with a rage equal to ours, that is how much Ukraine is suffering and not willing to suffer the consequences of these sanctions much longer. Russia, Ukraine, Romania, Bulgaria, Hungary—all these countries are vitally interested in the success of the peace initiative. They all support us in this and they all want this sanctions episode to end immediately after the success of the peace initiative and beginning of the realization of the political agreement.

[Jevdjovic] [passage omitted] We are slowly coming to the end. I think that it would be good if we could devote a few minutes to future plans. In what direction will the Yugoslav diplomats focus their activities in the time ahead? What do you think would be the best way to remove the sanctions, which have doubtless been affecting all Federal Republic of Yugoslavia citizens in every way: economic, cultural, social, and so forth? The sanctions are stifling many sections of the economy and society as a whole.

[Jovanovic] The federal government is acting within the framework of the aims set out in the program presented by Prime Minister Kostic. This means that we consider the lifting of sanctions as the absolute priority, and the normalization of our status, returning to normal international life, as the priority that immediately follows. Of course, the lifting of sanctions is closely connected with the end of the war in Bosnia and the establishment of permanent peace. This is why we have been working so hard this year, invested so much effort to contribute to the ending of the war and the establishment of peace. As I have already said, our contribution has been positively assessed by all nations, except perhaps Austria, Turkey, and Albania. This is understandable because they are not happy with the prospect of peace in Bosnia.

The cochairmen of the Geneva conference, former chairman Cyrus Vance and the two present ones [Lord

Owen and Thorvald Stoltenberg], have an absolutely positive disposition and count on the continuation of our peaceful policy to bring an end to the establishment of peace in Bosnia-Herzegovina. At the same time this is a condition for the sanctions to be lifted, or to start being lifted. I would say that the chances of the sanctions being lifted, and not only of beginning to be lifted, will increase if this condition is fulfilled. The international community has started to realize basic things and the truth concerning Bosnia. Therefore, the community is no longer convinced of the need to punish Yugoslavia. On the other hand, the economy in this part of Europe is not allowing the sanctions to last for very long. [passage omitted]

[Jevdjovic] Could one say that it would be unrealistic to expect the sanctions, at least the ones concerning the transit traffic on the Danube through Serbia, to be maintained for a long time in view of the economic interests of not only our country, but also the neighboring countries and the countries through which the Danube flows.

[Jovanovic] Absolutely. The sanctions are not in the interest of the economy in this part of Europe nor the security of Europe. The sanctions and isolation are generating so-called by-products that are totally undesirable for Europe as a whole. They are generating poverty. Poverty is generating extremism, extremism is generating despair, and in despair anything could happen. These destabilizing effects are not stopping on the borders of the Federal Republic of Yugoslavia. They effects are very much spilling over into neighboring countries.

Therefore, it is not surprising at all that President Mitterrand is talking about the need to eliminate this security vacuum in the Balkans. In the long term, Europe could not remain immune to this vacuum and would have to deal with the compounding of a problem of this type if it continues with the long term isolation of Yugoslavia and the sanctions against it.

I am talking about this assuming that the war in Bosnia will end and that peace will be established. The forces that are interested in the isolation of Yugoslavia and the sanctions against it—in other words, those who do not care for peace in Bosnia, but for the continuation of a controlled war—will certainly continue to sabotage the current peace efforts as has already been done. This was done in Vienna, in Copenhagen, and they tried to do it New York. The Islamic bloc will continue to do this. However, as I have already said, they are losing strength and it is difficult to assume that they could regain their previous strength, unless something completely unexpected happens that could serve as a fuse not only for the continuation but the intensification of the war in Bosnia-Herzegovina. This could happen if Croatia decided on a new invasion of and aggression in Krajina. This would be crazy but also suicidal considering the determination of the people of Krajina....

[Jevdjovic] Suicidal for Croatia.

[Jovanovic] Absolutely. This would be of no use to anyone, because a war, like a sword, always has two sides. In Croatia's case in particular, it would expose it to enormous

losses in terms of both prestige and on the battlefield. On the other hand, this would mean taking on a great responsibility for preventing peace in Bosnia-Herzegovina. So, it is hard to believe that Croatia would decide to take such a risky and unproductive move. However, everything is possible in politics, even the impossible. One should therefore retain a certain dose of caution considering developments in that direction.

[Jevdjovic] Let us conclude. Can we therefore say that we can view the period ahead with considerably more realistic optimism—we do not even know whether there was any optimism in the past, but there must be some optimism now—than in the past, at least as regards Yugoslavia's international position and the settlement of the Yugoslav crisis.

[Jovanovic] We are definitely in an improved psychological situation. We have the political initiative concerning the settlement of Bosnia. This has been acknowledged. Gestures for establishing contacts are being made toward us. We will most probably visit some other neighboring countries. This indicates their willingness to strengthen political contacts and dialogue with us. These contacts should strengthen not only the interest but also the capacity and activities of other countries to support this peace process and quash those who want to stop, interrupt, and sabotage it in any way. In this respect we can count on an increasing number of countries to be interested in preventing this. In this respect our more open treatment as a partner in this effort to establish peace in Bosnia is one of the facts that deserves to be noticed.

[Jevdjovic] Thank you Mr. Jovanovic. In the end we hope for a continuation of the trend of the past few months, and that Yugoslav diplomats' activities result in a real change in our country's situation. Thank you for taking part in our program tonight.

[Jovanovic] Thank you.

### **Speculation on New FRY President**

93BA1156C Belgrade VREME in Serbo-Croatian 14  
Jun 93 pp 19-21

[Article by Ivan Radovanovic: "Who Will Be the New President of Yugoslavia: Old and Without Ambition"]

[Text] *The words in the headline of this article were the ones used by V. Seselj to describe the new "Dobrica" during an interview with a VREME journalist.*

The same day that the shocked Milos Radulovic, the chairman of the Chamber of Citizens of the federal parliament, realized that he had become the executor of the duties of the president of Yugoslavia, a 30-day race for the post of new "Dobrica" of the federal state also began, in accordance with the Constitution.

The race has naturally been accompanied by speculation on the name of the new president, while Studio B has even set up a pool with rather incredible prizes for this day and age (a seven-day vacation).

It appears here that the person who is wondering the most is the least agitated about the entire story: Slobodan Milosevic still does not have in his head the name of the person who is to become the new "master of ceremonies" of the third Yugoslavia, at least judging from what sources very close to the ruler are saying.

Naturally, this does not mean that the Serbian president has not been scheming and considering who might serve him best in the post that Cosic took so seriously. We have learned that over the past few days Milosevic has spoken several times by phone with academician Mihailo Markovic, whereby he has offered him the vacant post of head of the federal state, but that he has been turned down.

Prof. Dragoljub Micunovic, the chairman of the Democratic Party, believes that Markovic cannot accept Cosic's post because, among other reasons, those two academicians were once good friends. "It is like if Lule Isakovic became president," says Micunovic, while sociologist Slobodan Inic thinks that elderly academician is more useful to Milosevic for the "symbolic functioning of the system" and that as such, he is even unsuitable for the role of obedient operative, which according to Inic is something that the next person selected by the Serbian president for the post of Yugoslav president must be.

According to some versions, an offer for the post of federal president has been sent to Podgorica as well. First of all with the idea that the already shocked Radulovic should be planted there so that then, when the proposal is deemed "frivolous," Milosevic's cabinet would offer Cosic's empty office to both Momir Bulatovic and Svetozar Marovic.

Democrat Micunovic sees this as "killing two birds with one stone." "On the one hand, like Broz did in his day, Milosevic would break up the too-strong Montenegrin leadership by promoting one of its three members (Bulatovic, Marovic, Djukanovic) to the federal post, which is weaker in practical terms, while on the other hand this would acquire for Serbia the only post in the federal state with any power, which is the post of federal prime minister," Micunovic thinks.

There is another story that fits in perfectly with this one, according to which the socialists and radicals, one day after bringing down Cosic, agreed to bring down federal Prime Minister Radoje Kontic as well, but not because the latter was talking in the halls of parliament, in a manner that was rather indiscreet uncharacteristic of him, about how the whole Cosic matter was "reprehensible."

Instead, according to some analysts, the idea was to present the Montenegrin leadership with a fait accompli in disposing of Kontic, after which it would be easier to persuade (force) them to provide someone for the post of president, so that in the end, given the constitutional provision under which "as a rule" the state president and the prime minister are from different republics, the new prime minister would be from Serbia.

Whether it was because the Montenegrin leadership became alarmed at this speculation or simply in order to forestall everything in advance, a response was quick in



coming from Podgorica. Zeljko Sturanovic, a member of the secretariat of the Main Committee of the Democratic Party of Socialists (the ruling party in Montenegro) said, "We are not interested in providing a candidate for the vacant post of FRY president."

Long before Sturanovic, all the talk of a new trick being played on the Montenegrins was disparaged by someone who apparently knows a great deal about the intentions of the Serbian president, Vojislav Seselj. "I am convinced that the candidate for new president of Yugoslavia will be from Serbia. The Serbian Radical Party does not intend to upset this balance—Yugoslav president from Serbia, prime minister from Montenegro," Seselj told VREME last Wednesday, only a few hours after he was seen leaving the Serbian presidency building in Pioneer Park.

The top radical also said that his party's initiative concerning parliamentary debate of the economic and social situation in the federal state does not automatically mean that Kontic will be brought down. Nevertheless, probably anticipating the further unfolding of events, Seselj left room for that possibility and said, "We will definitely have a critical attitude toward the Kontic government; we will have the same attitude toward the Sainovic government in the Serbian Assembly, while the party's Executive Board will adopt a final decision about everything, immediately before Assembly session(s)."

Despite these words, it is expected that during the upcoming Assembly session individual departmental ministers will be targeted by radical and social deputies more than Kontic himself. This is because Seselj noted quite coherently with regard to speculation concerning Milosevic's possible intention to put someone from Serbia in the powerful post of federal prime minister, "Why should he hurry to do that?"

If Seselj's opinion is based on real information and is thus accurate, then we are left to once again seek the new president from among Serbian candidates. It is certain that radicals are not interested in any such post (although Seselj has two votes in the Studio B pool), while their leader himself succinctly describes the next head of the federal state like this: "Old and without much ambition."

"The basic thing that we must know about the new president is that HE will choose him," says attorney Milenko Radic, adding that "at the same time, the new president must have a loyal air about him. I am betting on Nedeljko Sipovac, Milomir Minic, Branko and Yugoslav Kostic..."

Radic does not take the mention of Brane Crncevic as a candidate seriously ("he is too compromised"). Micunovic too rejects Crncevic, although for a different reason: "Milosevic will not replace a writer with a writer. And how would it look to bring in a lesser writer instead of a greater one?"

"This must be someone who understands that his post does not give him the right to feel like the leader, someone who knows who the boss is," says Inic in explaining his view of the new "Dobrica." He is betting on federal Minister of Foreign Affairs Vladislav Jovanovic: "He is a civil servant,

he follows instructions, he is even-tempered, he would not elicit too much opposition, even from the Montenegrins, the West views him as Milosevic's messenger, he knows what he can and cannot do...."

Another of Inic's "best bets" is someone like Bora Jovic, Bogdan Trifunovic, or Aleksandar Bakocevic—in short, "someone who is worn out but still desirable," and also obedient.

The Belgrade sociologist does not even rule out the possibility that Milosevic himself will become the president of Yugoslavia (he has two votes at Studio B), "but not now, rather at some future point when he will be able to create a unitary federation whose president will have the same constitutional authorities that he now has in Serbia," and he concludes by saying that it is not impossible, as far as the new president is concerned, that in the end everyone will be completely surprised by the decision that emerges from Milosevic's overcoat.

One of the surprises mentioned among the public is Prof. Ratko Markovic, the man who framed the "Zabljak Constitution" that was so unattractive to Cosic, naturally after it was leaked that his namesake academician Mihailo Markovic had refused to run. "No one has mentioned this to me. Neither seriously nor in jest," Prof. Ratko Markovic told VREME concerning this allegation, noting that right now he is preoccupied with writing a book.

The other serious candidate for "Dobrica," Federal Minister Jovanovic, does not have much to say about the possibility of the presidency, but one of his dialogues on this subject has nevertheless been recorded. Question: "Are we talking with a future minister or with a future president?" Answer: "With a future retiree."

Amid all this gossip about the new president, stories are also emerging that are probably being spread by malicious sources. For example, the one about how Vladislav Jovanovic is supported for the post of president by people in his Ministry of Foreign Affairs, while Mihailo Markovic is supported by people from his Belgrade University, in both cases out of the desire to get rid of them as soon as possible.

What is serious in all this is the fact that a committee has already been formed in the Federal Assembly that will accept and collect candidacies and issue statements from time to time. Reports about whether there are already candidates are contradictory—some say that there are, others that there are not—but the only thing that is certain is that none of the serious candidates has yet been proposed.

#### [Box, p 20]

#### Authorities

According to the current Constitution, the new president of the Federal Republic of Yugoslavia can: "represent the Federal Republic of Yugoslavia domestically and abroad, promulgate federal laws by edict; issue documents on ratified international treaties; propose to the Federal

Assembly candidates for the post of prime minister after consulting with representatives of parliamentary groups in the Federal Assembly; propose to the Federal Assembly candidates for the posts of justice on the Federal Constitutional Court, Federal State Justice, and governor of the National Bank of Yugoslavia, after consulting with the presidents of the member-republics; schedule elections for the Federal Assembly; appoint and recall by edict ambassadors of the Federal Republic of Yugoslavia based on proposals by the federal government; accept the credentials and letters of recall of foreign diplomatic representatives; award decorations and recognitions of the Federal Republic of Yugoslavia as provided by federal law; grant pardons for criminal acts prescribed by federal law; engage in other activities specified by this Constitution."

[Box, p 21]

#### Pool

Vladislav Jovanovic, Borisav Jovic, and Slobodan Jovanovic (the current director of TANJUG), each with 10 "bets," are the front runners in the Studio B pool. Radoje Kontic, Mihailo Markovic, Vojislav Seselj, and Slobodan Milosevic have each been bet on twice, while Budimir Kosutic, Radovan Samardzic, Dusan Kanazir, Dr. Dragan Nedeljkovic (from the University of Nantes, known for his guest appearances on the show "Topical Conversation"), and Slobodan Unkovic each have one "vote." A ditty by an anonymous author has also arrived at the pool, which we present here:

If I were to choose for beauty, I would choose Mirko Jovic,  
If I were to choose for goodness, I would choose Cedo Mirkovic,  
For heroism, Vuk Draskovic, For dignity,  
Aleksandar Karadjordjevic, For honesty, Voja Kostunica,  
For conscience, Pesic Vesnica, For treachery, Seselj Vojislav,  
For toadyism, Bozovic Radoman, But who is asking me,  
a creature of God, When what will be, will be, And the president will be a criminal.

#### 'More-Than-Sufficient' Wheat Crop Expected

LD0307111893 Belgrade TANJUG in English 1028 GMT 3 Jul 93

[Text] Belgrade, July 3 (TANJUG)—The wheat production in Yugoslavia this year will be more than sufficient to feed the population, according to experts.

Around 3.2 million tonnes of wheat are expected to be harvested, whereas around 1.6 million tonnes will be necessary to meet the population's needs, according to figures of the Yugoslav Chamber of Economy's harvest headquarters.

The Federal Republic of Yugoslavia now has to feed not only its population of 10.4 million but also around 700,000 refugees from the former Yugoslav republics of Croatia and Bosnia-Herzegovina.

If the estimates prove right, this year's wheat production will exceed the last year's by one million tonnes, but will be 300,000 tonnes short of the average for the previous five-year period.

The wheat crop was poor last year because of an unprecedented drought, which was declared a natural disaster.

The harvest is in full swing and should be completed within the next twenty days or so.

The yields vary due to different farming methods, according to experts, and range between 2.5 and 5.5 tonnes per hectare on private farms and between 4.2 and 6.5 tonnes on the farms of agricultural complexes, according to figures of the Yugoslav Chamber of Economy.

The harvest in Yugoslavia unfolds under great difficulties due to the severe U.N. economic sanctions introduced against Yugoslavia on May 30, 1992.

The main problems are shortages in fuel and spare parts for agricultural machinery, as a result of which nearly a fifth of the total of 7,400 combines will be out of use in the Yugoslav granary of Vojvodina.

#### Macedonia

##### Gligorov Interviewed on Current Situation

AU0607092893 Belgrade NEDELJNA BORBA (supplement) in Serbo-Croatian 26-27 Jun 93 pp 10-11

[Interview with Kiro Gligorov, president of Macedonia, by Dragan Nikolic; place and date not given: "We Are Not Slaves to the Errors and Myths of the Past"]

[Text] While the war is still going on and various questions remain unanswered, which could be the cause of further conflicts, it cannot be said that peace in Macedonia is assured. The fact that we have so far succeeded in remaining outside the war is very important. One should not rush to conclude, however, that the war in Bosnia is reaching a solution. Many sides are in conflict, both in Bosnia itself, as well as in Krajina, in Croatia, so one should be extremely cautious and not rush to make final optimistic conclusions. However, in the meantime, after being accepted into the United Nations and joining numerous international organizations, as well as actively participating in international meetings, Macedonia's international position has been strengthened. Macedonia's status has already been internationally recognized. Everything else connected with finally taking problems off the agenda is now a matter for diplomacy and further negotiations. This was said to us by Macedonian President Kiro Gligorov in response to a question on Macedonia's current uncertainties.

[Nikolic] You had a platform with Izetbegovic whose aim was to "save peace and reason." However, the platform failed. Peace was not saved in Bosnia but it has been in Macedonia. What was decisive in Bosnia and what in Macedonia?

[Gligorov] There are certainly several reasons for this. Above all, Bosnia is the state or the homeland of three peoples. Conflicts from World War II and everything that has happened on that territory have been significant in this conflict, as well as the conduct of Serbia and Croatia, which are interested in one or another solution to the Bosnian

problem. The nature of the circumstances in Bosnia was different to the nature of those in Macedonia. Macedonia has its own aggravating circumstances which could have been the cause of the same kind of war if not a worse one, considering that war in Macedonia would have acquired much wider dimensions. Other Balkan states would have most probably taken part in it. I do not believe that any one of them would have remained indifferent. Therefore, the position of Macedonia was, in a certain sense and viewed from the international perspective, even more delicate. This is why we proclaimed that Macedonia is possible only within the existing borders, thereby eliminating all causes of possible conflict regarding this territory. I think that this is a crucial element.

The other crucial element was that a policy of equidistance with all our neighbors was established, which does not mean a passive attitude but an expressed interest to develop good and friendly relations with everyone. However, not one neighbor has a privileged position in Macedonia or, if I can use a phrase from the Carrington document, "special status."

The third element is that from the beginning we have advocated a European option. At first sight this does not look very important for preserving peace but it is very important for the general atmosphere in the country, considering that we should find our own place in European integration and that therefore the battles to win some piece of land and to change borders seem to be pointless.

Fourth, it is very important that we were aware that international relations should not be determined by repression and that rights should not be withheld through anybody's political domination.

So these four elements have in my opinion conditioned the internal stability of Macedonia so far.

#### **Arms Would Not Have Helped Us**

[Nikolic] What do you say to the accusations from some opposition parties that you bought peace "at a high price" when you did not allow "Macedonian weapons to be fetched from the barracks," as was done in some other regions?

[Gligorov] I think that we learned an important lesson from what happened with the withdrawal or attempted withdrawal of the Yugoslav People's Army from certain areas. Had we implemented the same measures of surrounding barracks and confiscating weapons, war would have been inevitable. There would first of all have been a clash with the Army which would have had implications for the Balkans. Therefore it was essential at that moment that the withdrawal of the Yugoslav People's Army proceeded in peace, not only so that we could preserve peace but also so that we could preserve good relations between the Serbian and the Macedonian peoples. Had there been a conflict on this basis, war would have had unforeseeable consequences not only for the present but also for the future. Apart from that, I do not know either if it would have been a help for

us to have these weapons. I think that had we acquired them, nothing would have essentially changed in our position.

[Nikolic] Perhaps it would have done more harm than good?

[Gligorov] Absolutely.

[Nikolic] You met Milosevic in Ohrid. Little is known about this meeting but there has even been the criticism that you should not have talked with Milosevic.

[Gligorov] You know what, I think that people do not understand one fact—that within a basic framework Macedonia has a consistent policy. Those four elements that I cited are our consistent policies. Part of this policy is our willingness to always talk to our neighbors and, whenever possible, to resolve any problem or part of a problem by consent. In any case, dialogue always relaxes and makes it possible to hear the original views of the other side, as well as to convey one's own original viewpoints. It is useful regardless of whether we agree on something or not. This is a permanent part of our policy.

[Nikolic] You have met Milosevic several times. It has occasionally been wondered whether Milosevic can be believed when he claims that Serbia does not have any pretensions toward Macedonia.

[Gligorov] In politics, one does not proceed from the idea of whether someone can be believed or not, what he thinks, and what his aims are. Talks must be held on the basis of conviction and interest. Peace is something that is, what I can call, essential or even crucial for the further life and development of the Balkans. This determines whether we will remain an isolated region in Europe which will be backward both economically and from the point of view of civilization or whether we will overcome this. Apart from that, we are neighboring countries, we have to live together. We have numerous mutual interests and always have many topics to discuss with the aim of making it easier for people to live better and to prevent some disagreement from leading to conflict or such like. When this is a topic for discussion among politicians then belief and disbelief boil down to whether in time something will be confirmed or not.

#### **Enclave Without a Corridor**

[Nikolic] It is being claimed by some people that once the war ends in Bosnia the Serbian Army could turn toward the south, toward Kosovo and Macedonia to ethnically cleanse Kosovo and open a corridor along the Morava-Vardar valley toward Thessalonika. Is this just a question of speculation or does such a danger really exist?

[Gligorov] I think that no reasonable person should think of such an act, of such an exploit. I do not know what would be achieved by this, nor what kind of corridor that would be in the direction of a NATO country which has its responsibilities toward this international military organization. What does "corridor" mean? It means conquering a people. What would happen in the future and where would it lead?

I think that momentary difficulties or speculation should never take precedence over the fact that it must be considered how we will live together, how we will open up some new ways to develop the Balkans, how we will join with Europe. Every such act would distance us from such a prospect. This would mean the war would spread further and the international factor would be involved to a greater extent. No one would be able to understand such an action against Macedonia since this is an independent country that does not threaten anyone, least of all Serbia.

[Nikolic] Is Kosovo threatened with the ethnic cleansing that is being talked about and how do you think the Kosovo problem, which threatens Macedonia too, will be resolved?

[Gligorov] Kosovo is definitely a very serious problem, one of the most important for the final resolution of the crisis. A possible conflict in Kosovo or attempt to use military means to resolve the Kosovo problem would certainly imperil Macedonia, if nothing else than with a huge river of refugees which would destabilize Macedonia. We are therefore very interested in a peaceful solution to the Kosovo issue. Everyone is of course interested in its resolution, even the international community, but this is above all a problem whose resolution should be agreed upon by Serbia and the Kosovo alternative movement. In this respect the military solution should be avoided and ethnic cleansing should be avoided. This is because there is an essential difference between Kosovo and Bosnia-Herzegovina. It has been shown that the war in Bosnia-Herzegovina is a war in an "enclave" even though it does have enormous international consequences. However, the military solution to the Kosovo issue and the spread of it to Macedonia would inevitably lead to a Balkan war.

[Nikolic] Serbia allegedly has ethnic interests in Macedonia too. What do you think about this?

[Gligorov] Macedonia has a Serbian minority and there is no doubt about this. We know how large it is even though this number is actually exaggerated for political purposes. Statistics on ethnic affiliation in the former Yugoslavia are, in my opinion, correct. Regardless of this, the Serbian minority does not have any reason whatsoever to worry about its future. It enjoys and it will enjoy all the rights that belong to all citizens of Macedonia, and everything that is linked with their national identity and culture will be protected. I do not see any reason whatsoever for a conflict between Macedonia and Serbia over the Serbian ethnic minority. However, I hope and believe that the Macedonian ethnic minority in Serbia will also enjoy corresponding treatment in this regard. I think that Serbia should also be prepared to provide for the Macedonian minority everything that the Serbian minority is demanding and should have to preserve its national identity. However, we have not raised this question because we think that the most important thing today is to preserve peace and then, with greater trust and in conditions of the general development of relations and contacts, resolve these issues in a civilized way and on both sides. One should definitely not seek to manipulate these issues for some other aims. I think that this is very dangerous.

[Nikolic] Albania has recognized Macedonia but is opposing its membership of the CSCE. Supposedly the issue of the rights of the Albanians in Macedonia has not been adequately resolved. Albania is thereby involving itself in the domestic affairs of Macedonia.

[Gligorov] There is no justification for preventing Macedonia joining the CSCE for two reasons. The first reason is that Macedonia fulfills all conditions, otherwise the other countries would not have agreed to it becoming a CSCE member. Second, the CSCE is actually in favor of this and exists to allow all its members to resolve rights and obligations, as well as international issues, through mechanisms which are very dynamic and effective. Therefore, to prevent membership of the CSCE does not help even the side which is interested in resolving some issues more quickly. One thing is the right of Albania, the legitimate right, to be interested in its compatriots in Macedonia, but it is another thing when a sensitive line is crossed from legitimate interest to involvement in domestic affairs. I think that every Balkan state should be sensitive to this limit and maintain this limit.

#### The Constitution Will Not Be Changed

[Nikolic] What do you think about the main demand of the Albanians in Macedonia, which is obviously supported by Albania, for the Macedonian Constitution to be changed so that the Albanians are given the "status of a people [narod]"?

[Gligorov] There are no conditions for changing the Constitution at the moment. I think that this is not a realistic demand, nor would anything be essentially changed by this in the Albanians' situation. Insistence on everyone being state-creating [državotvoran] peoples is a legacy of the former Yugoslavia and this only emphasizes the national character of the Constitution, while the basic fact is forgotten that every democratic state must provide equal rights for all its citizens and, of course, then give the same opportunities to all nationalities to express their national identity and to have their own cultural development.

[Nikolic] Do you have the impression that relations are cooling between you and the Albanians in Macedonia considering that the first open letters have appeared?

[Gligorov] For my part there has been no change whatsoever in the stand that all Albanians in this country will feel as if they are in their homeland, that this is the homeland of the Albanians. Therefore they enjoy essential rights both as citizens and as a nationality, although there are some open questions which must be discussed and agreed upon. I am persistently following this course and there will certainly not be any changes in this regard. Of course, there are extreme demands on the Albanian side which are not realistic but, all right, this is also a subject of what I can call the political struggle, pressures. However, the reasonable line, the one that will ensure further interethnic understanding, can only be found through dialogue.

[Nikolic] According to articles in the press, you exchanged sharp words with the Albanian President Berisha at the [human rights] conference in Vienna. You had had several



friendly meetings with him. Has something changed in your relations with the Albanian president?

[Gligorov] I have to say that President Berisha and I have expressed a permanent interest in good relations. We have positively assessed the course and development of our relations so far. We differ in some issues regarding the position of the Albanians and Macedonia and demands for us to change the Constitution. I had to tell him that we are not prepared to change the Constitution now and that we do not see any significant reasons to do this. As for the rest, we can talk and seek joint solutions.

[Nikolic] The press has been writing that the visit from Bulgarian President Berov was not a success. Was it burdened, as some have interpreted, by the obsession of certain forces in Bulgaria that the Macedonians are Bulgarians after all and that Macedonia is nevertheless a part of Bulgaria?

[Gligorov] I did not hear any such thing from President Berov. I think that this visit was basically successful. This can also be seen in the fact that some important agreements were signed. Regardless of whether we agree on everything or not, I do not see any reason for any kind of conflict or for relations with Bulgaria to cool. However, I have the feeling after all these events in the Balkans throughout this century that all Balkan peoples will go through a cathartic experience. We—and here I do not discount Macedonia—we will all have to think seriously about everything that has happened in this century, about what has represented, at this time as well as earlier times, a national ideal, how history, myths, and symbols have been determined, and to consider everything that has in some way greatly imbued the historical essence of every Balkan people. I think that we must realistically assess events from a certain distance, get rid of the burdens which hinder us, and get closer to the reality.

When it comes to Macedonia and the Macedonian nation the fact must be respected that we exist. We are here as a state and as a people and things should proceed from this, then all problems look different and can be resolved in a civilized way and with greater tolerance. Otherwise, we will be slave to historical errors and myths. I do not know whether there is a need to be slave to this nowadays too, at the end of this and the beginning of the next century.

[Nikolic] Some circles are accusing you of "strengthening Macedonianism."

[Gligorov] The question is whether we are Macedonians or not and not whether we are strengthening "Macedonianism" or not. What is crucial is that this people has chosen this through language, alphabet, literature, and through everything that represents what I can call the spiritual being of a people. Everything else amounts to different political views, different aspirations linked to the past and to different national aims. If the reality is taken into consideration that this people, with all its cultural values, exists as a particular people, then all problems seem much easier and soluble and lead to peace and cooperation.

### Limits to Spiritual Autarchy

[Nikolic] Some people have written that you could soon be meeting Mitsotakis while others have written that you will not do so before the elections. Apparently there is an agreement on this between you and the Greek prime minister.

[Gligorov] From the beginning I have advocated direct dialogue because I have thought that as reasonable and rational people we want to avoid further complications in the Balkans. However, as you know, this has not happened so far. Greece has probably looked at this from a different perspective because of domestic party and political circumstances and because it has reckoned that there is no need to conduct dialogue with a small state which has not been internationally recognized and which will have to accept the conditions that are made in its regard. I am sorry because of this. I have always thought, and I think now, that such a meeting can only be of help.

It is not at all correct that there is any kind of agreement either directly or indirectly, or in any other way, like waiting until after the elections for a meeting. I do not know if there is such an orientation on the Greek side. But there are no such calculations on our side.

[Nikolic] Supposedly, all problems concerning trust between Greece and Macedonia have been resolved apart from the name. Are you willing to compromise on the name?

[Gligorov] Significant progress was made with the proposal for an agreement from cochairmen Vance and Owen and measures to ensure mutual trust. However, not all issues have thus been resolved in this area, which can be seen from letters that we sent to the United Nations and the Security Council. As for the name, we still think that for both sides it is best that we keep to the "Republic of Macedonia."

There are several reasons for this. The name "Republic of Macedonia" shows precisely that this is a legal state entity and therefore that this entity has its own constitution and its established borders. This prevents the possibility of this term being interpreted in any other way. This makes a real distinction between the name Macedonia as a geographical term and the name of the Republic of Macedonia as a specific state. As soon as someone says Republic of Macedonia, it is known precisely that this is a specific legal state entity and the doubt is eliminated that the word Macedonia in this phrase could mean anything other than what I have just said. If a reasonable analysis took into consideration only arguments and not prejudices and emotions then the conclusion would be that the name "Republic of Macedonia" does not bother anyone.

[Nikolic] The problem supposedly lies in the fact that Greece is defending the "Balkan vertical" from the "Balkan horizontal," that is, Serbian-Greek interests from Turkish-Albanian interests.

[Gligorov] Considering the whole confusing situation in the Balkans, many combinations are in circulation, which for



the most part are unrealistic. There is thus talk about the "Muslim transversal," "the transversal from Russia to Cyprus," the "Slav transversal," which should secure our original spiritual values and so on. I think that all these combinations should be put to one side. This is why from the beginning I have spoken about the need for all Balkan states to adopt the European option, so that everyone would have the common interest of being a part of Europe and of joining its economic and civilized currents. Not one culture loses by this but only gains. As soon as we create any border, Muslim, Orthodox, Slav and so on, we create some form of spiritual autarchy. This is why I do not see any happiness in this.

[Nikolic] Mitsotakis is supposedly irritated by Macedonian ethnic maps. Do these maps irritate you too?

[Gligorov] The maps that existed in ancient times or the Middle Ages do not in themselves mean anything but historical documentation that does not give anyone the right to draw conclusions on the basis of these or base any aspirations on them. All this is the result of an atmosphere in which every Balkan people is suffering from some myth. This is not only the Kosovo myth. I think that it would be better for us to talk about how to get out of this hole and to build a future in which small states in the Balkans no longer have the ambition to be big ones and every small state remains small at the end of the day.

#### **We Are Worried About the Future**

[Nikolic] Macedonia is awaiting the arrival of U.S. soldiers. In Macedonia itself and in the surrounding area this has provoked different comments. How do you view this?

[Gligorov] We asked for the peace forces of UNPROFOR [United Nations Protection Force] to come to Macedonia as preventative action, to observe the borders, and to be able to promptly inform the international public. You know, while a small state proves who is the aggressor without it being the aggressor, war ends. This is one reason that we invited UNPROFOR and it has been shown that this was not a bad thing. No one has been undermined by this. These are small forces. In itself, the expansion of the contingent does not mean a new quality. What is new is that U.S. soldiers are coming, but also that in some way Macedonia's security is increasing. We must worry about our safety because the war is continuing and could spread. I have to say that there are also serious political forces in Serbia that cannot reconcile themselves to the fact that Macedonia is an independent country.

[Nikolic] It is being claimed that the arrival of U.S. soldiers is a sign that Macedonia is entering the United States sphere of interest.

[Gligorov] These are problems too now that are certainly acute problems, for the simple reason that with the collapse of Yugoslavia questions regarding spheres of influence have been raised. Yugoslavia was outside all military alliances and was a factor of equilibrium in the Balkans at that time. The collapse of Yugoslavia raised questions regarding the establishment of a new equilibrium and that is why different efforts are being made but also why there is different

speculation. I think that it is essential that peace is achieved, that democracy wins with peace in all Balkan countries together with the European option, then the question of equilibrium will not be raised by itself in the same way as at the time of the division into blocs. We will all find ourselves in some community in which we will be able to influence it but, of course, it will be able to influence us. Some kind of absolute sovereignty as well as some kind of ideal neutrality in the form of some splendid isolation does not exist today. The international community is now intertwined through all sorts of economic, political, and other ties so these things should be viewed differently. A new constellation of relations is appearing that does not contain purely bloc divisions, which does not mean that different interests, spheres of influence, and so on do not exist too. Nevertheless one must look on all this with modern eyes and not the eyes of the former divisions.

[Nikolic] Is there a domestic danger for peace and the Macedonian state? What is the role and force of Macedonian extremism in this?

[Gligorov] Macedonian extremism exists of course. It is strange that it does not have any more acute forms considering the whole atmosphere in the Balkans, the proximity of war. I assess that there will be a gradual calming down. If peace prevails, it will find its place. Its place is on the political periphery, which does not mean that it will not always exist. However, practice shows that there is more danger from stifling it than from it, itself. If there is tolerance and it is brought into legal frameworks, it will gradually find its place. It is not undermining the country but is only coming to the surface.

[Nikolic] Are the consequences of the sanctions, which are great in Macedonia, also fomenting extremism? Could they destabilize Macedonia?

[Gligorov] The sanctions really are burdening Macedonia to a great extent. Of all Serbia's neighbors they are probably hitting Macedonia the hardest because we do not have access to the sea, we do not have good alternative routes, and we do not have railway lines. Of course, the South-North route is essential for us. If it is closed toward the north, this means toward Europe and Serbia, with whom our economy has been closely linked, the consequences are very serious. There is no doubt about this. Therefore, this also has its own economic, social, and other consequences.

[Nikolic] Considering that very strong opposing forces are at work in the Balkans, are you an optimist?

[Gligorov] You see, Macedonia has in the last two years shown itself to be a factor of peace and stability in the Balkans. Had the independent and autonomous Macedonian state not been set up, there certainly would have been conflict regarding Macedonia. The conclusion should be drawn from this—not a historical, ideological or other conclusion, but the pragmatic conclusion that an independent and sovereign Macedonia that has a friendly orientation toward all its neighbors is in the deep and long-term interest of the Balkans. It is a condition of stability and peace in the Balkans. From that point of view, I think that

Macedonia has its own future. I think that at the end of the war, when people think more soberly, it will be seen that it was good that the creation of an independent Macedonian state eliminated one Balkan question that in the past has been the cause of wars. Therefore, Macedonia should be accepted not only as a reality but also as a necessity for the sake of general peace and development in the Balkans.

### Serbia

#### Commentary Views U.S. Disapproval of Russian Policy

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[Commentary by Slavoljub Susic]

[Text] Washington's latest reaction to Russia's increasingly evident deviation from the agreed cooperativeness with the United States regarding global and regional problems can be better understood if we recall some of the basic directives of U.S. foreign policy and the U.S. engagement in international military and political spheres.

With the disintegration of the Warsaw Pact and the Soviet Union, the bipolar world order was replaced by a new monopolar order, headed by the United States as the only superpower capable of exerting decisive influence over the future course of international relations. As we all know, the United States strived for such a position even during the times of the Cold War, when peace was based on a balance of fear of direct military conflict with the leading country of the eastern communist bloc. The warning that Zbigniew Brzezinski, national security adviser in the Carter administration, put forth in the late 1970's—namely, the country that is superior in political, economic, military, and information spheres will also be able to exert the greatest amount of influence on international relations—also points to this. It is precisely in these four spheres that the United States currently dominates. It considers itself to be the winner of the long Cold War and the power that decisively contributed to the defeat of communism as an ideology and a practice.

Understandably, President Bush's administration formulated a new foreign affairs and military strategy for the country to fit such changed circumstances in the world, in which the tendency for leadership in the establishment of the so-called new world order was clearly expressed. A special Pentagon document that, allegedly by accident, ended up on the pages of THE NEW YORK TIMES at the end of March also served this purpose. On that occasion, U.S. military leadership put forth the opinion that the United States must remain the only international superpower. Henceforth, evident suspicion toward a possible future military emancipation of Europe, as well as transparent efforts to prevent the emergence of a new rival on the territory of the former Soviet Union and in other parts of the world alike.

The orientation of the military forces toward the Soviet Union, dating from the times of bloc confrontation, was replaced by a global orientation that far exceeds what were, until recently, the boundaries of the eastern military bloc. A flexible response to the possible Soviet attack was replaced by responses to the regional crises. The blatant concentration of forces was replaced by the concept of planned military force, while the defense of national—that is, vital—interests were to be secured by the engagement of appropriate rapid intervention troops. We believe that we do not need to single out the examples for this latter point.

Because of everything stated above, the U.S. reaction to, as THE WASHINGTON POST calls it, the strengthening of the Russian tendencies toward regional hegemony and international prestige at the expense of U.S. interests, is understandable, bearing in mind that Russia's emancipation and military strengthening could challenge the entire U.S. national and military strategy, which is resting on the laurels of victory in the Cold War.

On the other hand, this could stall the relative reduction in armed forces and military expenditure, which is something that Clinton's administration favors, with simultaneous U.S. attempts to continue being powerful in the military sense so that it could react at any moment in case American interests and security become endangered anywhere in the world.

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